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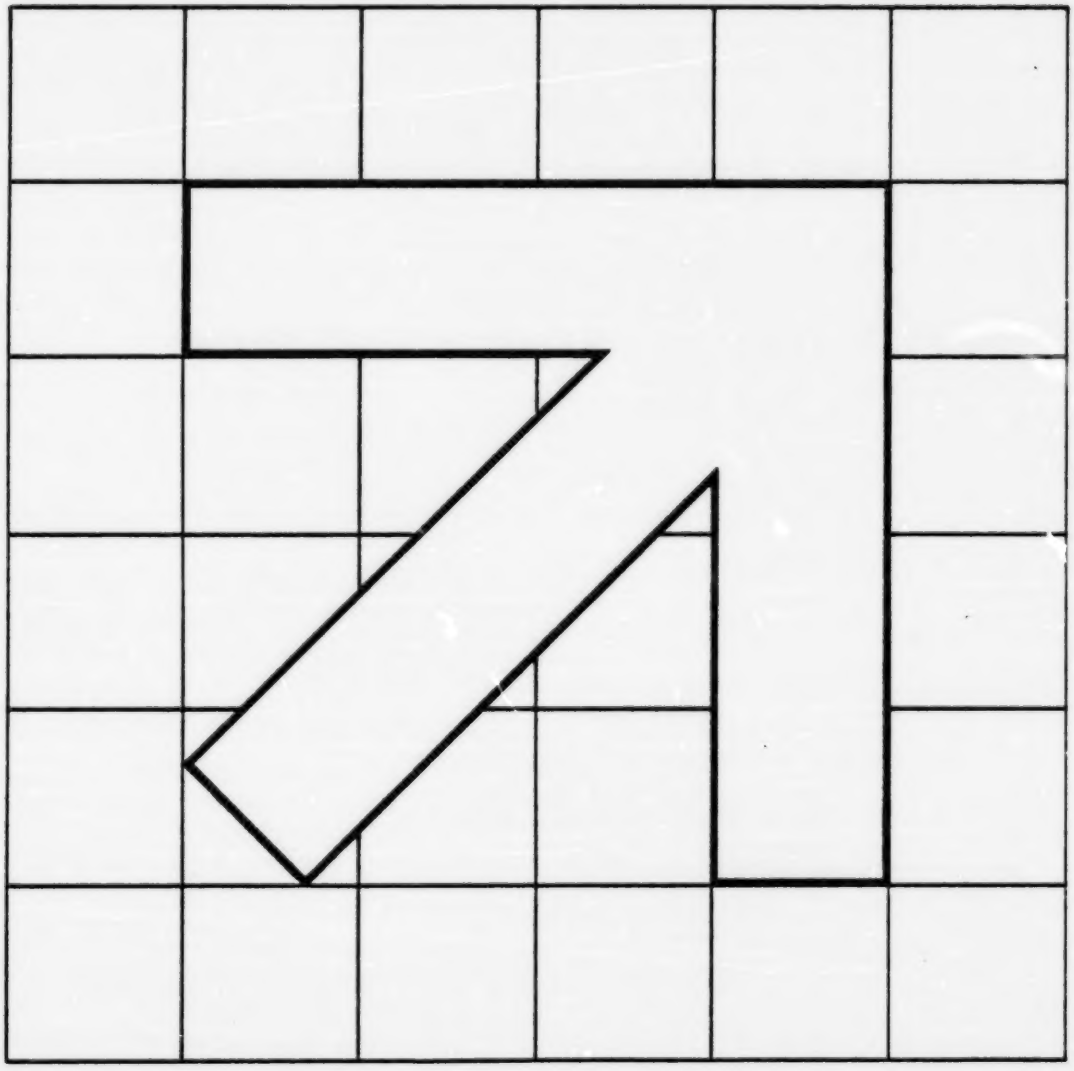
The Manufacturing and Trade Sectors in Québec: Review of 1986 and Outlook for 1987



Québec

THE MANUFACTURING AND TRADE SECTORS IN QUÉBEC: REVIEW OF 1986 AND OUTLOOK FOR 1987

Gouvernement du Québec
Ministère de l'Industrie et du Commerce

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DEVELOPMENTS IN QUÉBEC'S MANUFACTURING SECTOR IN 1986

Summary

Manufacturing output rose by 2.2% in Québec in 1986, keeping pace with the trend in Canada as a whole. The slower rate of growth in manufacturing output, which set in last year after two years of recovery, continued in Québec as in the rest of Canada. This was also reflected in the growth in the value of Québec manufacturers' shipments, up by 2.4% during the first nine months of 1986 compared to 3.8% for the same period in 1985. Nonetheless, the difference in growth compared to Ontario continued to narrow during 1986.

The slowdown noted in Québec in 1986 is attributable to the sluggishness of domestic demand and the weakness of exports, which curbed shipments of non-durable goods and had a mild effect on the growth of shipments of durables. In addition, the slowdown in demand and the decrease in inventories account for the drop in the average capacity utilization rate, which remains below its pre-recession level. However, employment in the manufacturing sector rose more rapidly than in the economy as a whole.

The manufacturing sector, in fact, generated 16 500 of the 60 900 new jobs created in Québec during 1986. The average 3.0% increase in employment in the manufacturing sector, compared to 1985, was higher than the 2.2% gain in total employment in Québec. In 1985, manufacturing employment had fallen by 2.1%.

Moreover, the significant drop in the number of work days lost through work stoppages reflects a clear improvement in labour relations.

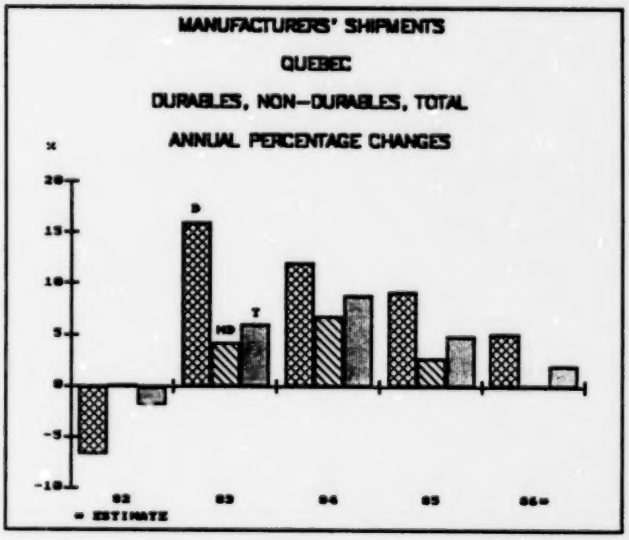
Industrial selling prices rose during 1986 at an even slower rate than during the previous year. Average hourly earnings increased by 1.9% in Québec. Moreover, the number and, especially, the liabilities of business

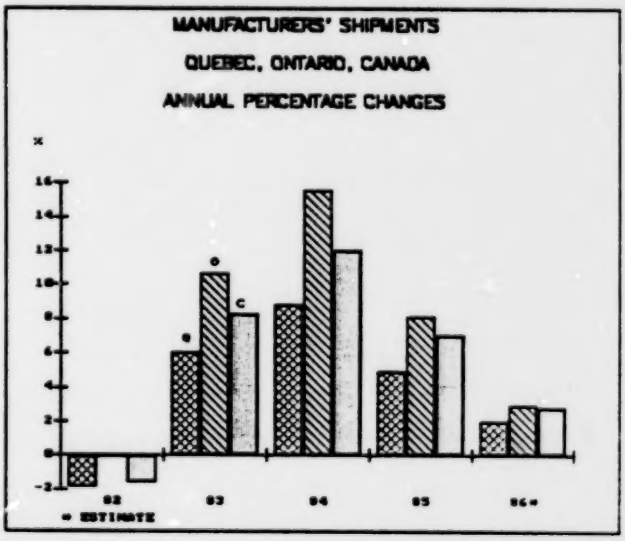
failures in the manufacturing sector in Québec dropped sharply. For the first ten months of 1986, liabilities involved in such failures plunged 50.8% compared to the same period in 1985, and accounted for 29.6% of total liabilities of business failures in Canada's manufacturing sector, compared to 46.4% in 1985.

Finally, growth in capital spending in the manufacturing sector kept pace with the previous year's performance. A reduction in capital spending in durable goods industries was largely offset by a strong rise in non-durables. The increase in capital spending in the manufacturing sector in Montréal was higher than in the rest of Québec.

OUTPUT, SHIPMENTS AND INVENTORIES

Real gross domestic product rose by 2.2% in Québec's manufacturing sector in 1986, according to the Conference Board in Canada, compared to 3.8% in 1985. This is less than the 3.2% recorded by Québec's economy as a whole. After having recovered in 1983 and 1984, growth in manufacturing output continued the slowdown which began in 1985, and thus followed the general trend in Canada. The performance of shipments was consistent with this slowdown.

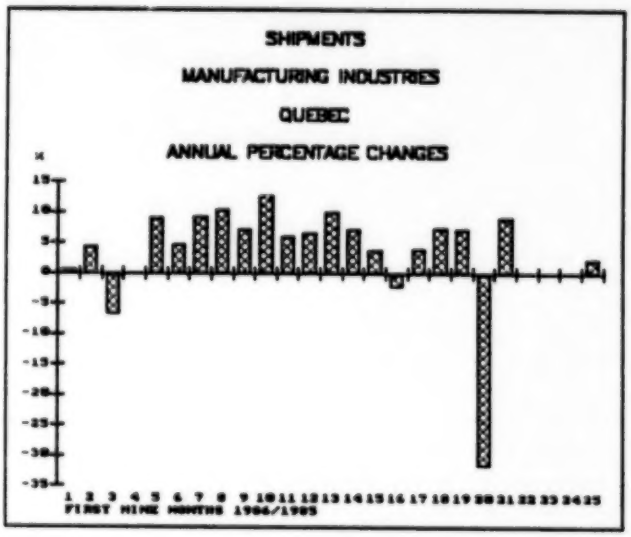




Over the first nine months of 1986, the value of manufacturers' shipments rose 2.4% in Québec, compared to the same period in 1985, while Ontario posted growth of 3.3%. Again, in 1986, the difference in the growth rates of the two provinces narrowed.

Estimates for all of 1986 place Québec shipments at $60 900 million, for a projected increase of 2.3%. This rise is not as vigorous as had been indicated over the first nine months, and is essentially the result of sharper downturn in domestic demand at year-end and weakening export performance. For the fourth year in a row, growth in the manufacturing sector is attributable to the durable goods industries. Shipments for these

industries over the period under study rose by 6.1% compared to 1985, while shipments of non-durables were stagnant.



Substantial growth was shown over the first nine months of 1986 in the wood (+ 12.7%), textile products (+ 10.5%), chemical products (+ 9.2%), plastics products (+ 9.1%), printing and publishing (+ 10.2%) and electrical and electronic products (+ 7.4%) industries. Performances for all of these industry groups improved markedly over 1985 levels. On the other hand, shipments of goods of own manufacture fell in only three groups: refined petroleum and coal products (- 31.8%), tobacco products (- 6.8%) and machinery (- 2.3%). The drop in the petroleum products group was caused mainly by the dramatic fall in oil prices and competition from imports. This latter phenomenon had a sufficient impact on Québec shipments to prevent them from growing at the same rate as shipments from Ontario.

The seasonally adjusted level of inventories held in the manufacturing sector in Canada dropped 0.4% in the first quarter and 0.9% in the second, before recovering slightly by 0.2% in the third. This is in contrast to the repeated increases during the preceding nine quarters. The ratio of inventories held to shipments stabilized after a major drop in 1982 and 1983, before beginning to recover in the third quarter. The slowdown in manufacturers' output could mean they anticipate a drop in demand and are adjusting their level of output accordingly, as well as dipping into their inventories.

SHIPMENTS

1. Food	10. Wood	18. Electrical products
2. Beverages	11. Furniture and fixtures	19. Non-metallic mineral products
3. Tobacco products	12. Paper and allied products	20. Petroleum products
4. Rubber products *	13. Printing and publishing	21. Chemical products
5. Plastics products	14. Primary metals	22. Miscellaneous manufacturing *
6. Leather and allied products	15. Metal fabricating	23. Durable goods *
7. Primary textiles	16. Machinery	24. Non-durable goods *
8. Textile products	17. Transportation equipment	25. Total
9. Clothing		

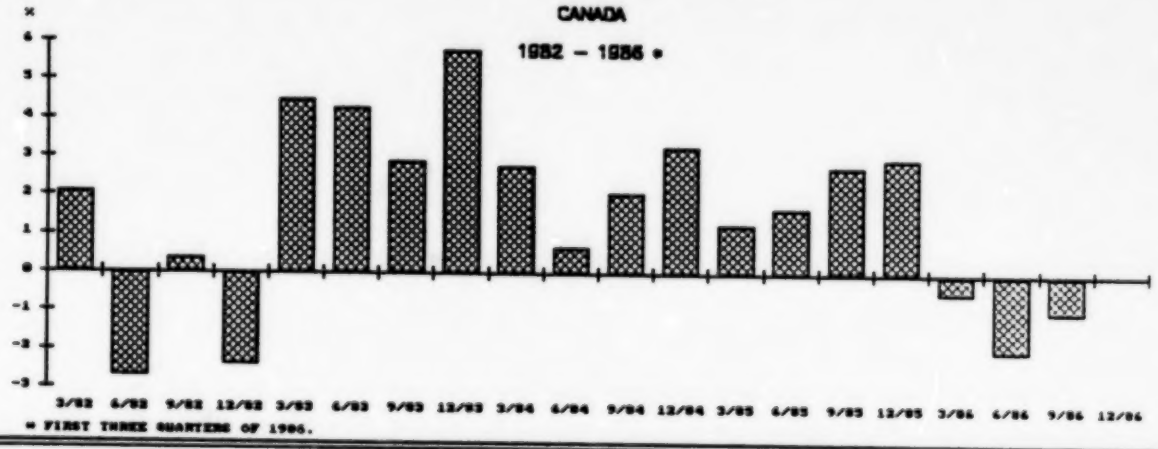
* Confidential

CHANGES IN MANUFACTURERS' SHIPMENTS

SEASONALLY ADJUSTED QUARTERLY DATA

CANADA

1982 – 1986 *



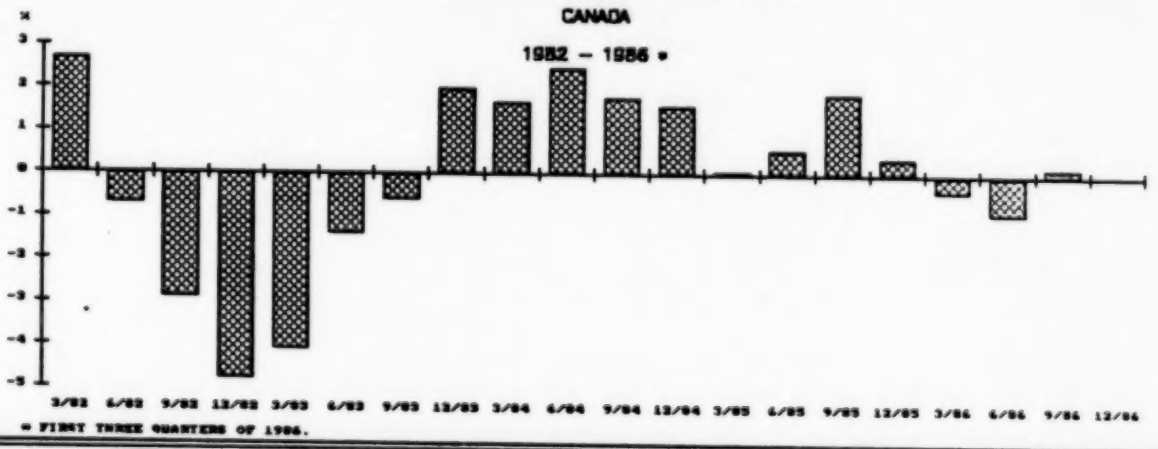
* FIRST THREE QUARTERS OF 1986.

CHANGES IN INVENTORY HELD, MANUFACTURING INDUSTRIES

SEASONALLY ADJUSTED QUARTERLY DATA

CANADA

1982 – 1986 *



* FIRST THREE QUARTERS OF 1986.

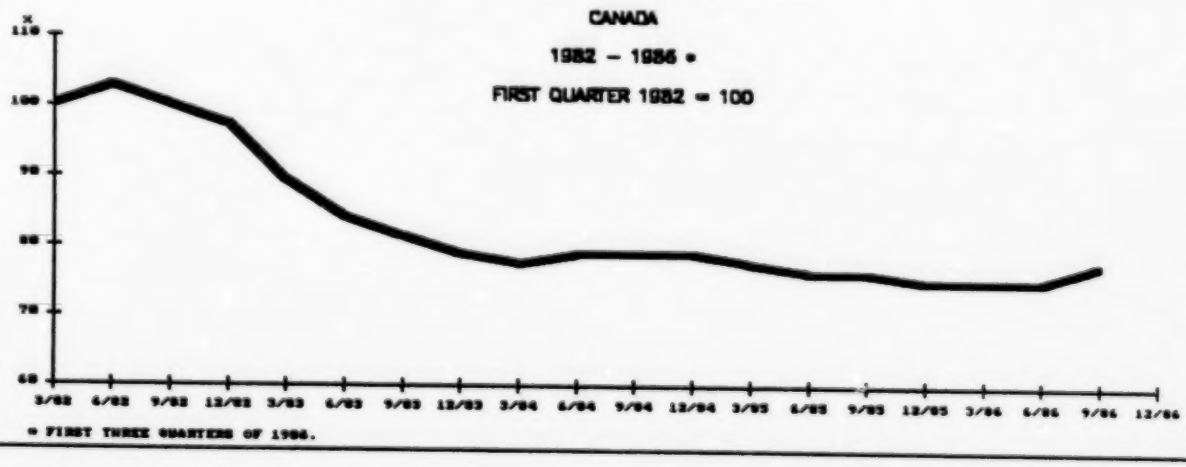
INDEX OF INVENTORIES HELD / SHIPMENTS, MANUFACTURING INDUSTRIES

SEASONALLY ADJUSTED QUARTERLY DATA

CANADA

1982 – 1986 *

FIRST QUARTER 1982 = 100



* FIRST THREE QUARTERS OF 1986.

CAPACITY UTILIZATION RATES

CANADA

Industry	1985		1986	
	Third Quarter	Fourth Quarter	First Quarter	Second Quarter
Food	80.9	80.7	80.1	78.4
Beverages	72.9	74.9	75.0	76.9
Tobacco products	80.4	73.1	73.2	64.9
Rubber products	83.6	76.5	81.5	80.1
Plastics products	99.6	99.4	100.0	99.2
Leather	87.6	86.5	87.2	85.3
Primary textiles	86.8	87.2	91.5	91.0
Textile products	96.3	97.3	97.9	100.0
Clothing	91.2	93.9	93.5	93.9
Wood	82.7	81.2	80.5	81.9
Furniture and fixtures	84.5	85.6	84.7	83.3
Paper	82.5	84.2	85.5	85.9
Printing and publishing	97.5	99.5	99.7	100.0
Primary metals	76.9	74.8	75.1	71.2
Metal fabricating	83.0	83.2	82.9	83.0
Machinery	65.4	65.5	63.3	62.9
Transportation equipment	72.3	72.4	66.0	63.7
Electrical products	77.2	74.5	75.5	75.3
Non-metallic mineral products	77.3	78.3	81.7	79.6
Refined petroleum and coal products	63.3	64.3	62.7	63.5
Chemical products	63.1	62.8	61.3	61.7
Miscellaneous manufacturing	82.6	78.6	76.7	76.6
Durable goods	76.9	76.0	74.7	73.6
Non-durable goods	81.7	82.3	82.5	82.2
TOTAL	79.2	79.0	78.4	77.6

SOURCE: Statistics Canada, Cat. 31-003.

The capacity utilization rate in Canada's manufacturing industry fell from 78.4% in the first quarter to 77.6% in the second quarter of 1986. This was the third quarterly decrease in a row. The current rate is substantially higher than in 1982 and 1984, though it has yet to recover to pre-recession levels and remains below historical averages. Capacity utilization remains highest in the non-durable goods manufacturing industries, where it is 82.2%. This compares with 73.6% in the durable goods industries. In both cases, rates are down from previous years. Three factors had a powerful influence on capacity utilization rates in 1986: the strong performance of the construction sector had a positive impact, while the dramatic slowdown in domestic demand and the contraction of inventories had a negative impact.

Eight major groups increased their capacity utilization rates from the first to the second quarters of 1986. The largest increases were in the wood, beverage, textile products, and refined petroleum and coal products industries. However, capacity utilization fell in fourteen industry groups, in eight of which the drop was significant: furniture, primary metals, transportation equipment, non-metallic mineral products, food, tobacco products, rubber products and leather.

MANUFACTURERS' SHIPMENTS

QUÉBEC 1982-1986

INDUSTRY	1982	1983	1984	1985	1986*	1986 E	1983/1982	1984/1983	1985/1984	1986*/1985	1986 E/1985
	(millions of dollars)						percentage change				
Food	7 763.0	7 854.9	8 395.0	8 544.5	6 395.7	8 605	1.2	6.9	1.8	2.8	2.7
Beverages	1 025.8	1 076.8	1 165.4	1 204.4	925.1	1 255	5.0	8.2	3.3	4.6	4.2
Tobacco products	679.3	704.9	742.5	813.1	556.4	760	3.8	5.3	9.5	- 6.8	- 6.5
Rubber products	-	-	-	-	-	-	-	-	-	-	-
Plastics products	701.3	788.2	873.3	901.1	734.4	985	12.4	10.8	3.2	9.1	9.3
Leather	427.4	418.5	476.2	452.2	351.6	475	- 2.1	13.8	- 5.0	4.9	5.0
Primary textiles	1 290.6	1 515.7	1 505.6	1 455.5	1 169.9	1 590	17.4	- 1.7	- 3.3	9.4	9.2
Textile products	955.5	1 176.1	1 203.8	1 213.1	980.7	1 335	23.1	2.4	0.8	10.8	10.1
Clothing	2 335.7	3 002.9	3 215.1	3 105.7	2 638.9	3 535	5.9	7.1	3.3	7.1	6.9
Wood	1 512.1	2 056.6	2 227.9	2 292.6	2 015.0	2 590	36.0	8.3	2.9	12.7	12.4
Furniture and fixtures	705.5	779.7	861.0	879.3	756.6	1 035	10.5	10.4	10.8	9.0	9.6
Paper	4 861.1	5 062.2	5 708.5	6 058.5	4 822.5	6 485	4.1	12.8	6.1	6.8	7.0
Printing and publishing	1 924.7	2 154.5	2 450.9	2 594.9	2 079.9	2 855	11.9	13.8	5.9	10.1	10.1
Primary metals	3 423.8	4 101.7	4 580.2	4 650.9	3 688.1	4 990	19.8	11.7	1.5	7.5	7.3
Metal fabricating	3 047.0	2 763.6	3 170.3	3 656.4	2 729.6	3 810	- 9.3	14.7	15.3	1.9	4.2
Machinery	1 038.4	886.6	922.8	1 114.6	807.4	1 090	-14.6	4.1	20.8	- 5.1	- 2.2
Transportation equipment	3 404.5	3 396.5	4 486.3	5 066.6	3 810.2	5 240	14.6	18.1	12.9	4.2	3.4
Electrical products	2 520.1	2 572.7	2 811.3	2 943.6	2 215.1	2 165	2.1	9.3	4.7	7.1	7.3
Non-metallic mineral products	951.1	1 059.9	1 247.3	1 390.3	1 101.5	1 495	11.4	17.7	11.5	7.0	7.5
Refined petroleum and coal products	5 570.9	5 426.7	5 291.3	5 241.9	3 703.2	5 650	- 2.6	- 2.5	- 0.9	-11.3	-11.7
Chemical products	3 175.4	3 368.9	3 659.4	3 872.1	3 145.6	4 225	6.1	8.6	5.8	7.2	9.1
Miscellaneous manufacturing	-	-	-	-	-	-	-	-	-	-	-
Durable goods (p)	15 602.5	18 117.3	20 307.7	22 194.6	17 233.6	23 515	16.1	12.1	9.3	6.1	6.0
Non-durable goods (p)	31 210.7	32 550.3	34 787.6	35 757.3	26 603.6	35 755	4.3	6.9	2.8	1.3	1.1
TOTAL	49 098.6	52 098.4	56 736.6	59 358.7	44 970.5	60 300	6.1	8.9	5.2	2.4	2.1

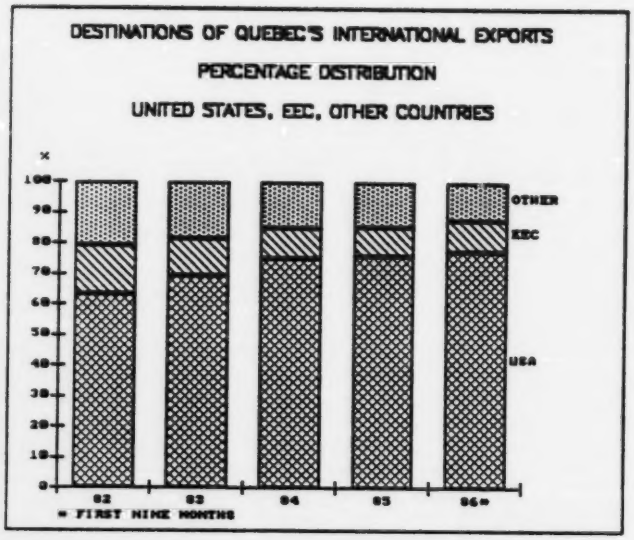
- : confidential; * : 9 months; E : estimate; p : partial

SOURCES: Statistics Canada, Cat. 31-203 and 31-001; Direction de l'analyse économique et des relations internationales, MIC.

INTERNATIONAL SHIPMENTS

Canada's manufacturing trade balance was less favourable for the first nine months of 1986 compared to the corresponding period in 1985. The deficit rose from $2.8 billion to $4.7 billion. Exports gained 7.3% while imports were ahead by 9.7%. Exports grew by more than imports in percentage terms in eight industries. The ratio of exports to imports fell from 96.0% for the first nine months of 1985 to 93.9% for the same period in 1986.

Québec's international exports grew by 3.7% over the first nine months of 1986 compared to the same period in 1985. This is down from the performance recorded in 1985 and 1984, i.e. 7.2% and 16.0% respectively. This slower growth is attributable to the sluggish performance of the U.S. economy and of that of Québec's European trading partners.



For the first nine months of 1986, exports to the U.S. rose 6.2% compared to the same period in 1985, while those to the EEC and other countries fell by 1.0% and 6.7% respectively. Within the EEC, the United Kingdom and the Netherlands posted the sharpest drops in purchases of goods from Québec. This was partially offset by a dramatic increase in purchases by France.

TOTAL CANADIAN EXPORTS LADEN IN QUÉBEC
25 LEADING EXPORT COMMODITIES
$000
FIRST NINE MONTHS

COMMODITIES	1985	1986	1986/1985 %
1. Printing paper	2 001 617	2 143 432	7.1
2. Passenger automobiles and chassis	1 426 914	1 307 302	- 8.3
3. Aluminum, including alloys	826 835	1 134 813	37.2
4. Lumber	514 767	566 305	10.0
5. Aircraft engines and parts	434 395	484 601	11.6
6. Iron ores, concentrates and scrap	495 121	419 385	-15.3
7. Fresh, chilled or frozen meat	251 341	305 682	21.6
8. Wood pulp and similar pulp	238 447	296 771	24.5
9. Aircraft assemblies, equipment and parts	239 735	290 578	21.2
10. Railway and street railway rolling stock	94 117	285 722	203.6
11. Electricity	252 082	279 714	11.0
12. Copper and alloys	269 805	278 374	3.2
13. Electronic tubes and semiconductors	510 006	273 025	-46.5
14. Commercial telecommunications equipment	300 378	273 010	- 9.1
15. Unmanufactured asbestos	251 176	231 090	- 8.0
16. Aircraft complete with engines	117 385	169 938	44.8
17. Other crude non-metallic minerals	106 532	161 974	52.0
18. Other automobiles, parts and accessories	127 379	144 296	13.3
19. Office machines and equipment	149 674	131 090	-12.4
20. Furniture and fixtures	111 795	128 877	15.3
21. Dairy products	133 197	118 008	-11.4
22. Miscellaneous apparel	87 214	115 699	32.7
23. Primary iron and steel	119 309	104 167	-12.7
24. Zinc and alloys	166 366	90 349	-45.7
25. Fuel oil	143 209	67 001	-53.2
TOTAL: - 10 LEADING COMMODITIES	6 523 289	7 235 091	10.9
- 25 LEADING COMMODITIES	9 369 296	9 302 203	-0.6
- ALL COMMODITIES	13 753 659	14 251 630	3.7

SOURCES: Bureau de la statistique du Québec, "Exportations du Canada chargées au Québec, par marchandises et pays"; Direction de l'analyse économique et des relations internationales, DGRP, MIC.

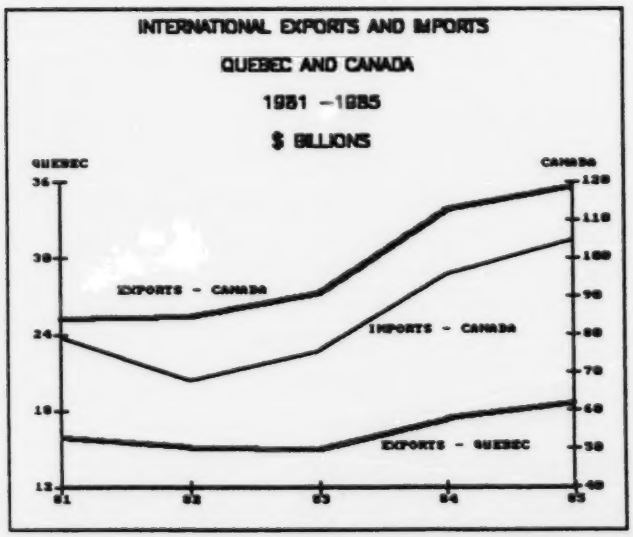
The value of international exports of manufactured goods among the twenty-five leading export commodities rose by 5.4%. The following industries posted appreciable increases in their export sales: clothing, primary metals, furniture, food, wood and paper. Growth in exports of lumber could be curbed over the coming months, however, as a result of new tax measures imposed in response to U.S. pressures. The value of exports dropped dramatically in three industries: refined oil and coal products, electrical and electronic products, particularly because of electronic tubes and semiconductors, and machinery.

QUÉBEC'S INTERNATIONAL EXPORTS AND IMPORTS

($000 000)

	1985	1986	% change 86/85	% distribution 1985	% distribution 1986
Exports (9 months)					
United States	10 403.7	11 053.8	+ 6.2	75.6	77.5
EEC	1 447.1	1 432.8	- 1.0	10.5	10.0
Other countries	1 902.8	1 775.0	- 6.7	13.8	12.4
Total:	13 753.7	14 261.6	+ 3.7	100.0	100.0
Imports (8 months)					
United States	6 950.5	7 006.4	+ 0.8	51.1	48.6
EEC	2 596.9	3 076.9	+18.5	19.1	21.3
Japan	760.0	977.8	+28.7	5.6	6.8
Other countries	3 300.7	3 356.6	+ 1.7	24.2	23.3
Total:	13 608.1	14 417.7	+ 5.9	100.0	100.0

SOURCES: Bureau de la statistique du Québec;
Direction de l'analyse économique et des relations internationales, MIC.



Québec's international imports rose 5.9% from January to August 1986, compared to the same period in 1985; for 1985 as a whole, the increase was 5.3%. The United States supplied 48.6% of imports cleared in Québec; the EEC, 21.3%; Japan, 6.8%; and other countries, 23.3%. Imports from the U.S. grew only marginally, by 0.8%, while those from the EEC climbed by 18.5% and those from Japan surged 28.7%.

Québec's imports of foreign goods rose 5.9% for the first eight months of 1986 compared to the same period in 1985, while our exports abroad increased by 3.7% over the first nine months of the year. Since early in 1986, Québec's foreign trade, like that of Canada as a whole, has not had as powerful an effect on economic growth. Domestic demand picked up the slack early in the year, but it is beginning to show signs of petering out after three years of

expansion. Québec's close trading ties with the United States leave it particularly vulnerable to changes in the performance of the U.S. economy. On the one hand, the U.S. economy has not performed as well in 1986 as expected, and signals for 1987 are contradictory. On the other, the protectionist inclinations of certain U.S. Congressmen bear close monitoring.

EMPLOYMENT

The manufacturing sector generated 17 700 of the 65 400 new jobs created in Québec during the first ten months of 1986. The average 3.2% gain in employment in the manufacturing sector over the first ten months of 1985 was higher than the 2.3% growth in total employment in Québec. Over the year 1985 as a whole, manufacturing employment had fallen by 2.1%.

EMPLOYMENT BY INDUSTRY

QUÉBEC

('000)
AVERAGE - 10 MONTHS

	Total			Full-time			Part-time		
	1985	1986	Δ%	1985	1986	Δ%	1985	1986	Δ%
Agriculture	85.7	84.1	- 1.9	70.0	69.2	- 1.2	15.8	14.9	-5.7
Other primary industries	44.6	45.8	2.7	43.6	44.0	0.9	1.0	1.8	80.0
Manufacturing	546.2	563.9	3.2	528.7	543.5	2.8	17.5	20.4	16.6
Construction	124.2	140.9	13.4	114.6	132.5	15.6	9.7	8.4	-13.4
Transportation, communication and other utilities	221.0	218.6	- 1.1	211.1	208.6	- 1.2	10.2	10.2	0.0
Trade	489.7	514.1	5.0	395.4	418.1	5.7	94.2	96.0	1.9
Finance, insurance and real estate	156.8	154.2	- 1.7	139.8	137.1	- 1.9	17.1	17.1	0.0
Services	936.5	943.9	0.8	727.9	729.7	0.2	208.3	214.1	2.8
Public administration	193.9	199.1	2.7	181.0	181.9	0.5	12.7	17.1	34.6
Total, all industries	2 798.8	2 864.2	2.3	2 415.4	2 465.1	2.1	383.6	399.0	4.0

SOURCES: Statistics Canada, The Labour Force Survey, special compilation;
Direction de l'analyse économique et des relations internationales, MIC.

Employment in Québec's durable goods industries rose by 6.1%, while the non-durable goods industries posted a gain of 2.3%. In Ontario, employment in the durable goods industries rose by slightly less (5.9%) than in Québec, while in the non-durables sector, employment dropped by 1.3%.

In the manufacturing sector, employment among women rose by 18 000, while employment among men dropped by 1 100. The proportion of manufacturing jobs held by women in Québec rose from 26.3% to 28.6%.

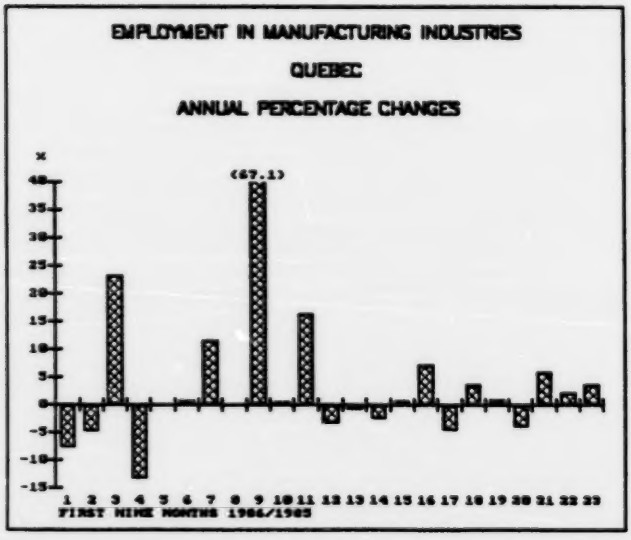
ALL EMPLOYEES IN MANUFACTURING INDUSTRIES

QUÉBEC

Industry	1984	1985	1986*	1985/1984	1986*/1985*
	Units			Percentage change	
Food and beverages	51 231	55 215	50 855	8.2	- 7.7
Tobacco products	4 152	3 993	3 826	- 3.8	- 4.8
Rubber and plastics products	14 582	10 906	13 377	- 25.2	23.1
Leather	7 504	8 732	8 232	16.4	- 13.3
Textiles	28 591	25 700	25 937	- 5.6	1.1
Knitting mills	9 751	9 058	9 512	- 7.1	3.9
Clothing	45 142	49 131	53 796	8.9	11.6
Wood	22 271	24 351	23 913	9.3	- 3.1
Furniture and fixtures	14 105	13 306	27 308	29.8	67.1
Paper and allied products	42 386	42 986	42 961	1.4	1.6
Printing, publishing, etc.	25 960	23 760	27 674	- 11.3	16.5
Primary metals	25 139	24 790	24 219	- 1.6	- 2.3
Metal fabricating	28 933	28 895	28 720	- 0.1	- 0.7
Machinery	17 285	16 880	16 604	- 2.3	- 2.5
Transportation equipment	31 351	32 648	32 285	4.1	3.9
Electrical products	26 857	27 662	29 470	3.0	7.3
Non-metallic mineral products	10 569	11 398	11 522	12.6	4.6
Refined petroleum and coal products	3 330	3 297	3 366	3.2	2.7
Chemical products	25 392	25 753	26 330	1.4	2.3
Miscellaneous manufacturing	13 520	17 336	17 488	0.7	0.9
Durable goods	176 410	185 129	194 642	4.9	5.1
Non-durable goods	277 341	277 135	284 154	0.1	2.5
TOTAL	453 451	462 114	478 796	1.9	3.6

* 3 mois

SOURCES: Statistics Canada, Cat. 72-002;
Direction de l'analyse économique et des relations internationales, MIC.



EMPLOYMENT

1. Food and beverages
2. Tobacco products
3. Rubber and plastics
4. Leather
5. Textiles
6. Knitting mills
7. Clothing
8. Wood
9. Furniture and fixtures
10. Paper and allied products
11. Printing and publishing
12. Primary metals
13. Metal fabricating
14. Machinery
15. Transportation equipment
16. Electrical products
17. Non-metallic mineral products
18. Petroleum products
19. Chemical products
20. Miscellaneous manufacturing
21. Durable goods
22. Non-durable goods
23. Total

Employment was up in eleven major groups, while nine others registered losses. The most notable gains were in furniture (+ 67.1%), rubber products (+ 23.3%) and printing (+ 16.5%). The leather industry suffered a sizeable loss of employment (- 13.3%).

Employment in five major groups either increased or remained stable in Québec while falling in Ontario: textiles, clothing, furniture, printing and publishing, and petroleum products. On the other hand, employment fell in four major groups in Québec compared to Ontario: fabricated metal products, machinery, non-metallic mineral products and wood.

LABOUR RELATIONS

Collective agreements for almost 68 500 workers in Québec's manufacturing industries were up for renewal during 1986. Some 39 000 of these renewed their agreements without resorting to strike action; 13 300 did strike, and of these, 2 300 were still negotiating in early November, 1986. Collective agreements covering 16 200 workers were due to expire in November and December.

A total of 468 200 person-days were lost in Québec's manufacturing sector as a result of strikes or lock-outs during the first ten months of 1986; this represents a decrease of 31.9% compared to the same period in 1985. Person-days lost in the manufacturing sector accounted for 25.9% of the total for all industries in Québec, compared to 64.3% for 1985 as a whole. There was thus a definite improvement in the labour relations climate. The average number of days lost per worker fell from 39.0 to 35.3. Of the 836 collective agreements which expired in 1986, some 85% were signed without a work stoppage.

PERSON-DAYS LOST THROUGH WORK STOPPAGES
AND NUMBER OF WORKERS INVOLVED
MANUFACTURING INDUSTRIES AND TOTAL ECONOMY
QUÉBEC

	1982	1983	1984	1985	1986*	1983/1982	1984/1983	1985/1984	1986*/1985
	(number)					(percentage change)			
Total manufacturing									
Person-days	606 279	530 159	777 134	735 759	468 206	- 12.6	46.6	- 5.3	- 31.9
Workers	18 898	23 442	21 768	18 857	13 262	24.0	- 7.1	- 13.4	- 25.8
Days per worker	32.1	22.6	35.7	39.0	35.3				
Durable goods									
Person-days	353 317	219 790	478 488	360 226	345 563	- 37.8	117.7	- 24.7	- 4.2
Workers	7 416	6 362	14 371	7 924	8 704	- 14.2	125.9	- 44.9	15.2
Days per worker	47.6	34.5	33.3	45.5	39.7				
Non-durable goods									
Person-days	252 962	310 369	298 646	375 533	122 643	22.7	- 3.8	25.7	- 65.3
Workers	11 482	17 080	7 397	10 933	4 558	48.8	- 56.7	47.8	- 58.3
Days per worker	22.0	18.2	40.4	34.3	25.9				
Total economy									
Person-days	1 278 469	2 382 533	1 111 590	1 143 768	1 310 224	86.4	- 53.3	2.9	35.6
Workers	220 259	157 059	41 427	44 491	161 553	- 28.7	- 73.6	7.4	327.8
Days per worker	5.8	15.2	26.8	25.7	11.2				

* 10 months

SOURCES: Travail Québec, "Grèves et lock-out au Québec";
Direction de l'analyse économique et des relations internationales, MIC.

The number of days lost through work stoppages (down 65.9%), the number of workers involved and, thus, the average number of days lost per worker dropped dramatically in the non-durable goods industries, with average number of days lost per worker falling from 34.1 in 1985 to 26.9 in 1986. Total person-days lost in the durable goods industries rose slightly, by 5.2%, resulting from the greater number of workers involved in labour disputes in 1986. Here again, the average number of days lost per worker was down from 1985's level, dipping to 39.7 compared to 43.5 one year earlier.

The year 1986 was decidedly calmer than 1985 in the following manufacturing industries: rubber and plastics products, paper, textiles, transportation equipment, chemical products and miscellaneous manufacturing. Work stoppages were much more frequent in the primary metals, machinery, non-metallic mineral products, clothing and knitting mills industries.

PERSON-DAYS LOST THROUGH WORK STOPPAGES
MANUFACTURING INDUSTRIES
QUÉBEC

	1982	1983	1984	1985	1986*	1983/1982	1984/1983	1985/1984	1986*/1985
	(number)					percentage change			
Food and beverages	37 365	168 541	95 355	90 720	62 094	92.9	- 43.4	- 4.9	- 17.6
Tobacco products	---	---	---	---	---	---	---	---	---
Rubber and plastics products	11 113	14 929	1 486	37 328	10 593	33.4	- 90.0	2 412.7	- 87.3
Leather	1 634	1 188	5 280	3 150	---	- 27.2	344.4	- 40.3	---
Textiles	27 050	5 785	1 957	85 798	4 315	- 78.9	- 66.2	4 284.2	- 95.0
Knitting mills	540	3 723	2 592	2 092	4 710	589.4	- 30.4	- 19.3	125.1
Clothing	22 573	65 456	11 355	3 859	10 922	190.0	- 82.7	- 66.0	183.0
Wood	28 335	22 147	74 339	47 154	44 515	- 21.8	237.9	- 37.0	- 5.6
Furniture and fixtures	5 446	27 763	17 304	16 530	13 274	409.8	- 37.7	- 4.5	- 22.9
Paper and allied products	80 021	22 411	147 569	37 120	12 652	- 70.7	558.5	- 74.8	- 65.9
Printing, publishing, etc.	20 851	2 615	1 976	7 516	7 361	- 87.5	- 24.4	280.4	- 2.1
Primary metals	157 855	29 387	34 502	25 031	109 578	- 81.4	17.4	- 24.6	321.0
Metal fabricating	48 138	13 348	26 686	17 973	25 724	- 72.3	99.9	- 32.7	43.1
Machinery	1 195	1 565	38 739	14 273	44 758	31.0	2 375.3	- 63.2	277.2
Transportation equipment	48 630	95 560	139 943	196 229	3 194	96.5	46.4	40.2	- 95.6
Electrical products	35 624	6 945	29 050	22 297	43 191	- 80.5	318.3	- 23.2	93.7
Non-metallic mineral products	28 094	23 075	117 425	19 740	51 219	- 17.9	408.9	- 83.2	159.5
Refined petroleum and coal products	---	301	---	---	---	---	---	---	---
Chemical products	1 503	10 238	12 791	37 919	4 148	581.2	24.9	196.4	- 89.1
Miscellaneous manufacturing	312	12 782	17 785	20 031	5 348	3 995.3	39.1	12.6	- 73.3
Total	606 279	530 159	777 134	735 759	468 206	- 12.6	46.6	- 5.3	- 31.9

* 10 months

SOURCES: Travail Québec, special compilation, "Grèves et lock-out au Québec";
Direction de l'analyse économique et des relations internationales, MIC.

LABOUR DISPUTES, MANUFACTURING SECTOR, QUÉBEC

10 MONTHS

	Number of employees	Person-days lost	Estimated % of working days (1)
Total manufacturing	478 700	468 206	0.5
Food and beverages	50 900	62 094	0.6
Tobacco products	3 900	---	---
Rubber and plastics	13 100	10 593	0.4
Leather	8 200	---	---
Textiles, knitting mills and clothing	90 400	19 947	0.1
Wood	23 900	41 515	0.8
Furniture	27 000	18 374	0.3
Paper	43 000	12 652	0.1
Printing, publishing	27 900	7 361	0.1
Primary metals	24 200	109 578	2.2
Metal fabricating	28 700	25 724	0.4
Machinery	16 600	44 768	1.3
Transportation equipment	33 100	8 134	0.1
Electrical products	29 500	43 191	0.7
Non-metallic mineral products	11 500	51 219	2.1
Refined petroleum and coal products	3 400	---	---
Chemical products	26 000	4 148	0.1
Miscellaneous manufacturing	17 500	5 848	0.2

(1) The estimated number of working days for the first ten months of 1986 is 210.

SOURCES: Statistics Canada, Cat. 72-002;
Direction de l'analyse économique et des relations internationales, MIC.

For the manufacturing sector as a whole, the number of person-days lost accounted for only 0.47% of working days during the first ten months of 1986, compared to 0.64% in 1985. The percentage of working days lost was significantly higher than the average in the primary metals (2.2%), non-metallic mineral products (2.1%) and machinery (1.3%) sectors.

In 1987, over 900 collective agreements covering nearly 102 000 workers are due to expire in the manufacturing sector. Industries in which a significant number of collective agreements will expire or a large number of workers will be negotiating new contracts include food and beverages, paper, primary metals and transportation equipment.

INDUSTRIAL SELLING PRICES AND WAGES

Industrial prices posted zero growth for the first ten months of 1986 compared to the same period in 1985, as against increases of 2.8% in 1985 and 4.5% in 1984. The dramatic drop in oil prices in 1986 pushed the prices of related industrial products down as well. It also exerted downward pressure on manufacturing production costs. In addition, since capacity utilization dropped slightly, the stability of industrial prices in 1986 is not too surprising.

AVERAGE HOURLY EARNINGS
MANUFACTURING INDUSTRIES
JUNE 1986
$

Manufacturing sectors	Québec	Ontario	Canada	U.S. (C$)	Q/Can.	Q/Ont.	Q/U.S.
Food and beverages	11.44	11.37	10.94	12.15	104.6	100.6	94.2
Tobacco products	19.05	17.50	18.48	19.06	103.1	108.9	99.9
Rubber and plastics products	10.53	10.41	10.56	12.18	99.7	101.2	86.5
Leather	7.13	7.65	7.44	8.13	95.8	93.2	87.7
Textiles	8.96	10.60	9.66	9.55	92.8	84.5	93.8
Knitting mills	6.81	7.14	6.93	---	98.3	95.4	---
Clothing	7.77	6.97	7.39	---	105.1	111.5	---
Wood	9.71	9.26	11.32	11.76	82.1	104.9	82.6
Furniture and fixtures	7.55	9.28	8.44	10.37	89.5	81.4	72.8
Paper and allied products	15.31	14.11	15.39	15.51	99.5	108.5	98.7
Printing, publishing, etc.	12.62	11.74	11.92	13.75	105.9	107.5	91.8
Primary metals	15.25	14.93	15.37	16.63	101.1	102.2	91.8
Metal fabricating	11.03	10.96	11.23	13.75	98.2	100.6	80.2
Machinery	11.54	12.32	12.12	14.69	95.2	93.7	78.6
Transportation equipment	12.63	14.36	14.30	17.78	90.2	88.0	71.0
Electrical products	11.29	10.99	11.17	13.36	101.1	102.7	84.5
Non-metallic mineral products	12.61	12.68	12.36	13.96	98.1	99.4	90.3
Refined petroleum and coal products	15.67	15.63	15.63	19.70	100.3	100.3	79.5
Chemical products	11.98	12.46	12.49	15.63	95.9	96.1	76.6
Miscellaneous manufacturing	8.32	9.62	9.17	10.50	90.7	87.4	79.2
Durable goods	11.22	12.53	12.40	14.28	90.5	89.6	78.6
Non-durable goods	10.99	11.20	11.25	12.39	97.7	98.1	88.7
Total	11.09	12.00	11.85	13.50	93.6	92.4	82.1

Note: Conversion rate: C$1.3920 = US$1.00 (average over the first seven months of 1986).

SOURCES: S.C., Cat. 72-002, Survey of Current Business, August 1986; Bank of Canada Review, August 1986.

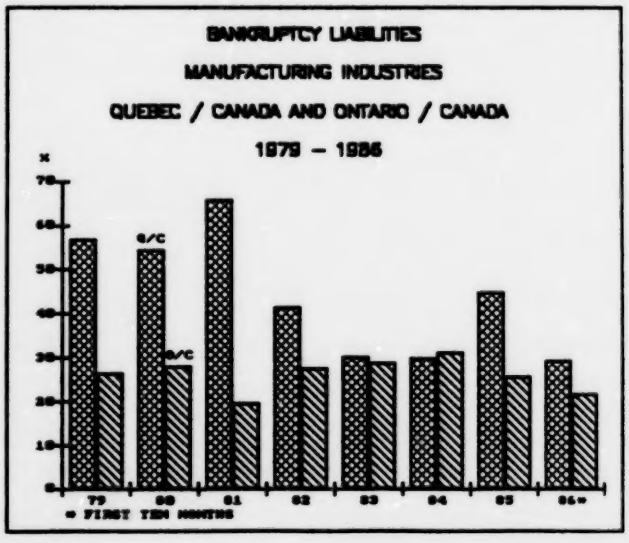
In June 1986, average hourly earnings in the manufacturing industry were $11.09 in Québec, $12.00 in Ontario and $11.85 in Canada. In the United States, they stood at C$13.50. Average hourly earnings in the food and

beverage, tobacco products, clothing, printing and publishing, electrical products, and petroleum and coal products industries were slightly higher in Québec than in Canada as a whole.

For the first nine months of 1986, hourly earnings rose 1.9% in Québec, compared to 4.4% in Ontario and 2.4% in the United States.

BANKRUPTCIES

The number of bankruptcies of Québec manufacturing firms fell in 1985, continuing the downward trend initiated after the 1982 recession. Over the first ten months of the year, the number of failures fell 19.7% compared to the same period in 1985; for Canada, the drop was 9.9%. The industry groups with the most significant reductions in the number of bankruptcies were tobacco products, rubber and plastics products, textiles, furniture, paper, metal fabricating, machinery and non-metallic mineral products. On the other hand, the largest increases in the number of bankruptcies were recorded in the leather, knitting mills and electrical products industries.



Compared to the same period in 1985, liabilities involved in bankruptcies of Québec manufacturing concerns during the first ten months of 1986 were down by 50.8%, and accounted for 29.6% of total liabilities involved in bankruptcies in the manufacturing sector throughout Canada, as opposed to 46.4% in 1985. The largest drops were in the tobacco products, textile, clothing, paper, metal fabricating and non-metallic mineral products industries.

On average, a bankruptcy in the manufacturing sector involved liabilities of $287 000 in 1986, down from $468 000 in 1985, for a reduction of 38.6%. This followed on the heels of a sharp rise of 78.1% in 1985. Bankruptcies involving the largest amounts of liabilities occurred in the furniture, transportation equipment and miscellaneous manufacturing industries.

COMMERCIAL FAILURES - MANUFACTURING INDUSTRIES

QUÉBEC - ONTARIO - CANADA

	1982	1983	1984	1985	1986*	1983/1982	1984/1983	1985/1984	1986*/1985
						Percentage change			
Number									
- Québec	453	432	401	349	275	- 4.6	- 20.1	- 17.1	- 19.7
- Ontario	522	375	349	303	245	- 28.3	- 9.5	- 13.5	- 15.7
- Canada	1 307	946	797	694	539	- 9.1	- 15.8	- 12.9	- 9.9
- Qué./Can. (%)	45.0	45.7	37.8	35.9	32.3				
- Ont./Can. (%)	32.1	29.1	31.2	29.0	25.9				
Liabilities ($'000)									
- Québec	157 359	124 695	95 120	125 281	80 255	- 20.8	- 23.7	47.2	- 50.8
- Ontario	104 338	120 330	98 654	71 371	77 130	15.4	- 18.1	- 13.8	- 12.1
- Canada	377 202	412 706	292 786	273 295	169 351	9.4	- 21.8	- [illegible]	- 22.1
- Qué./Can. (%)	41.6	30.2	32.4	45.8	29.6				
- Ont./Can. (%)	27.6	29.1	31.4	25.9	22.9				

* 10 months

SOURCES: Consumer and Corporate Affairs Canada, Office of the Superintendent of Bankruptcy, "Insolvency Statistics"; Direction de l'analyse économique et des relations internationales, MIC.

PROFITS

Against a backdrop of moderate increases in costs and prices, Canadian and Québec manufacturers posted a mild increase in earnings[1] of 2.5% for the first nine months of 1986, compared to the same period in 1985. In addition to the dramatic drop in oil prices and the depressed prices for raw materials on international markets, international competition, sluggish export growth and the slowdown in domestic demand all had a dampening effect on growth in earnings. Nonetheless, corporate earnings, excluding the energy sector, rose 13%. In 1985, earnings for all manufacturing industries had risen by 5.5%.

1 Basic earnings.

Compared to the same quarters in 1985, earnings in the Canadian manufacturing sector fell 9.3% in the first quarter of 1986 before rising 6.2% in the second and 10.2% in the third quarters. Finally, the industries which recorded substantial increases in earnings over the first nine months of 1986 are for the most part concentrated in Québec. Textiles and knitting mills, wood, and paper and forest operations recorded gains in earnings of 54%, 23% and 57.7% respectively.

RESEARCH AND DEVELOPMENT

We estimate that some $650 million was spent on R & D in Québec's manufacturing industry in 1986. This estimate is based on forecast growth in Canadian R & D expenditures in 1985 and 1986, 16% and 8% respectively, and on Québec's share of Canadian R & D spending which, since 1981, has held steady at about 24%. In 1984, Québec's R & D spending totalled $519 million.

Three industry groups make up the core of R & D activity in the manufacturing sector, both in Québec and in Canada: transportation equipment, electrical and electronic products, and chemical products. In Québec, these three groups account for more than 75% of all manufacturing R & D spending. This concentration of R & D has grown steadily over the past few years and will continue to grow in the short term. The situation is similar in Canada as a whole.

The transportation equipment industry accounts for almost 40% of R & D spending in Québec's manufacturing sector and for 30% of the associated employment. The technological activity of this industry is the most extensive in Québec and ranks second in Canada, after electrical and electronic products. Québec's share of the Canadian transportation equipment industry's R & D spending exceeds 50%, and is based essentially on the aeronautics industry. Pratt and Whitney and Canadair are the two major firms involved. Pratt and Whitney's new five-year technological development program calls for expenditures of some $575 million to develop three engines. The firm made

a commitment in 1983 to carry out 2/3 of its R & D work in Québec until 1988. Canadair will demonstrate new technological vitality not only because of its recent affiliation with Bombardier, but also because of its success in winning the F-18 maintenance contract.

The electrical and electronic products industry in Québec accounts for 30% of employment and 27% of R & D expenditures in Québec's manufacturing sector. The major firms involved are CAE Electronics, Marconi, Northern Telecom and Spar Aerospace. Québec's share of R & D activities undertaken by Canada's electrical and electronic products industry has fallen to 14%, compared to 17% in 1981. This trend is mainly the result of the Canadian industry's development strategy which favours Ontario, specifically Toronto and Ottawa, as the focus of its technological activities.

The third most significant industry is chemical products, which accounts for 11% of R & D expenditures undertaken by Québec's manufacturing sector, and 30% of R & D activity by the chemical industry throughout Canada. The implementation of Canada's new patent law will have a very significant impact on the amounts this industry invests in R & D.

CAPITAL SPENDING

Capital spending in Québec's manufacturing sector reached $3 840.7 million in 1986. This is a gain of 17.0% over the figure for 1985, and marks the third consecutive year of growth. However, the pace is slowing: in 1984 and 1985, gains of 31.8% and 19.3% were posted.

COMPARISON OF CAPITAL SPENDING IN MANUFACTURING, BY INDUSTRY

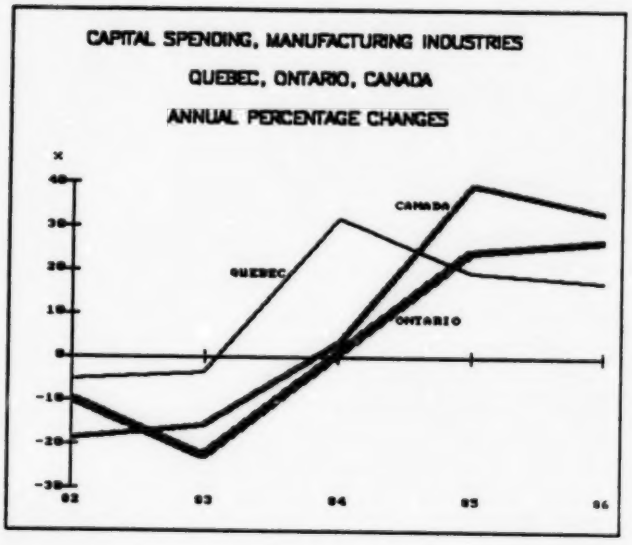
QUÉBEC'S SHARE OF CANADIAN TOTAL

1982-1986

Industry	1982	1983	1984	1985*	1986**
Food and beverages	21.3	20.1	22.7	24.1	22.6
Tobacco products	48.4	75.3	71.4	79.8	70.1
Rubber and plastics products	13.3	18.5	23.1	14.8	24.7
Leather	27.3	15.2	19.1	19.7	14.8
Textiles	56.1	31.5	20.2	11.7	25.6
Knitting mills	70.4	37.6	56.3	48.2	55.9
Clothing	37.4	45.2	44.9	44.4	37.5
Wood	39.0	28.8	3.8	28.5	18.7
Furniture and fixtures	12.2	22.1	15.7	20.1	29.8
Paper and allied products	25.4	40.2	40.4	36.3	42.7
Printing, publishing, etc.	16.1	23.1	23.6	20.2	24.0
Primary metals	33.2	39.1	43.9	56.7	32.5
Metal fabricating	15.7	15.7	18.4	21.5	21.5
Machinery	19.7	23.6	23.5	24.4	21.5
Transportation equipment	12.9	13.6	13.3	3.5	7.1
Electrical products	27.7	28.1	29.1	22.4	27.7
Non-metallic mineral products	27.5	30.1	26.9	29.3	29.4
Refined petroleum and coal products	18.3	23.8	22.1	29.0	22.7
Chemical products	9.4	9.2	21.9	26.7	21.4
Miscellaneous manufacturing	27.6	20.5	20.9	23.9	22.1
Durable goods	22.2	25.2	24.3	23.4	23.2
Non-durable goods	17.1	22.3	29.2	30.1	26.7
TOTAL	18.8	23.6	21.3	29.3	27.3

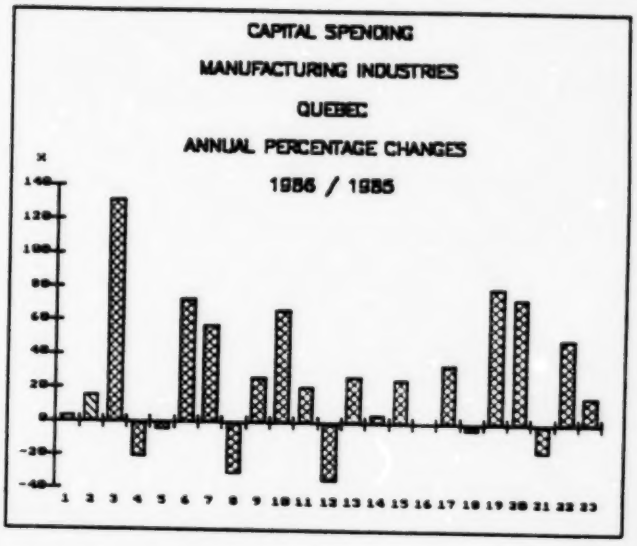
* Preliminary. ** Estimates revised at mid-year.

SOURCE: Direction de l'analyse économique et des relations internationales, MIC.



Manufacturers in Québec planned to spend $793.2 million for construction, an increase of only 4.2% over 1985, and $3 047.5 million for machinery and equipment, up 20.9%. In the latter category, the increase is largely due to an extraordinary effort by certain industry groups (rubber products, chemical products, paper, knitting mills, clothing) to replace and modernize their machinery in Québec. This provides a good indication of future productivity gains in these industries.

In Québec, capital spending was highest in 1986 in the following industry groups: paper, primary metals, chemical products, and food and beverages. Spending on new capital equipment in 1986 totalled $2 336.5 million in these four major industry groups, or more than 60% of total capital expenditures by Québec manufacturing industries. The paper industry was by far the leader, with capital expenditures of $1 139.5 million.



Capital spending rose in 14 of the twenty industry groups and for eight of these, their share of the Canadian total for their group increased. The major increases in the value of capital spending took place in the paper and chemical products sectors. Three other industry groups posted large percentage increases in capital expenditures, although in absolute terms, the increases are less substantial: clothing, knitting mills, and, especially, rubber products. On the other hand, capital expenditures fell sharply in the primary metals industry, reflecting the dramatic slowdown in aluminum smelter capital investment.

CAPITAL SPENDING IN THE MANUFACTURING SECTOR
BY INDUSTRY
QUÉBEC

INDUSTRY	1982	1983	1984	1985*	1986**	1983/1982	1984/1983	1985/1984	1986/1985
	millions of dollars					percentage			
Food and beverages	190.3	179.3	229.4	227.3	236.3	- 5.8	27.9	- 1.0	3.9
Tobacco products	32.9	33.3	32.3	37.1	43.1	1.2	- 3.0	14.9	16.2
Rubber products	28.3	33.2	47.9	37.2	36.1	17.3	44.3	-22.3	-3.1
Leather	1.3	1.8	1.6	2.8	3.0	38.5	- 9.1	75.0	7.1
Textiles	80.6	63.7	75.3	72.9	69.1	-21.0	18.2	- 3.2	- 5.2
Knitting mills	11.2	13.2	14.5	13.9	15.7	17.9	9.8	- 4.1	13.0
Clothing	7.3	10.3	13.6	12.9	25.1	41.1	32.0	- 5.1	94.6
Wood	125.3	83.1	92.3	90.6	92.7	-33.7	11.1	- 1.8	2.3
Furniture and fixtures	1.3	5.7	9.6	12.6	16.0	338.5	68.4	31.3	27.0
Paper and allied products	472.1	401.3	473.2	583.3	1 139.6	-15.0	17.9	23.3	95.4
Printing, publishing, etc.	28.3	40.6	33.5	50.8	61.6	43.5	-17.5	51.6	21.3
Primary metals	280.0	260.3	558.7	350.1	282.8	- 7.0	114.6	-37.3	-19.2
Metal fabricating	35.3	31.3	41.4	51.3	59.3	-11.3	32.3	23.9	15.6
Machinery	51.2	58.3	36.5	41.1	47.1	13.9	-37.4	12.6	14.6
Transportation equipment	38.6	30.3	30.1	127.3	161.1	- 8.3	- 1.0	323.1	26.5
Electrical products and equipment	94.2	157.2	142.3	154.3	153.4	66.9	- 9.4	8.4	- 0.4
Non-metallic mineral products	45.8	42.2	47.7	46.4	52.3	- 7.9	13.0	- 2.7	12.7
Refined petroleum and coal products	220.7	199.7	95.5	80.6	77.3	- 9.5	-52.2	-15.6	- 4.1
Chemicals and chemical products	120.2	135.3	207.3	225.6	408.1	12.6	53.3	8.8	80.9
Miscellaneous manufacturing	17.3	21.5	29.7	17.2	32.3	18.3	31.6	84.5	71.5
Capital items charged to operating expenses	222.1	220.3	296.3	232.3	287.3	...	...	...	...
Durable goods	735.3	718.3	1 159.7	1 463.2	1 777.7	- 1.3	61.3	26.2	21.5
Non-durable goods	1 202.7	1 138.7	1 104.3	1 486.2	2 259.3	- 5.3	- 3.3	33.3	50.7
TOTAL	2 159.3	2 387.3	2 751.3	3 291.7	3 340.7	- 3.3	13.3	19.3	1.5

* Preliminary. ** Estimates revised at mid-year.

SOURCES: Private and Public Investment in Canada 61-205 and 61-206), S.C.
Direction de l'analyse économique et des relations internationales, MIC.

Capital spending by Québec manufacturers of non-durable goods rose by 50.7%, while in the durable goods sector, capital spending fell 17.1%. This is a reversal of the situation which had prevailed over the previous two years. These results were significantly affected by capital spending programs for paper mills, which were up, and aluminum smelters, which were down. Ontario manufacturers committed large sums of money to capital expenditures in the durable goods sector, especially transportation equipment and primary metals.

In contrast to 1985, capital spending in the manufacturing sector rose more in Montréal than in the rest of Québec.

Recent surveys by the Conference Board and Statistics Canada indicate that the level of confidence exhibited by businessmen in Canada is affected by their anticipation of a coming slowdown in economic growth. A larger number of business managers believe that the business cycle has peaked and that investment prospects over the coming months are not as promising, which seems to be confirmed by movements in capacity utilization rates. This kind of reduction in the level of optimism among business managers usually precedes a reversal in investment trends by from 6 to 12 months. Yet, consumers' spending intentions continue to demonstrate optimism. This factor could have a positive influence on investment intentions. The expected reversal would then be delayed.

ANALYSIS BY INDUSTRY GROUP

Let us now turn to developments in the economic situation of the various industry groups in Québec, using the major indicators available, including certain Canadian indicators, inventories, the capacity utilization rate and the sectoral trade balance. These items also provide information that is applicable to Québec. Growth rates for 1986 are always calculated with respect to the same period in 1985.

Québec's TEXTILE AND CLOTHING industry experienced a period of recovery in 1986. After a sluggish performance in 1985, the value of shipments rose by 8.5% during the first nine months of 1986. Employment grew by 6.7%. The recent performance of the industry in Québec compares well with that of the industry in Canada as a whole. The international competitive position of this industry eroded again in 1986; the trade deficit rose a substantial 22.4% over the first three quarters of 1986. The value of inventories fell, particularly in the primary textiles sector, indicative of vigorous growth in the Canadian market in 1986. The surge in capital spending in Québec in the knitting mills (73%) and clothing (58%) sectors in 1986 demonstrates the industry's determination to regain the ground lost over the past few years and gradually improve its market position. The renegotiation of most bilateral export restriction agreements is significant for the industry's performance over the coming years.

The value of shipments by Québec's LEATHER industry rose 4.9% over the first nine months of 1986. However, the value of inventories gained 11.3% and the industry's competitive position on international markets worsened, as indicated by the 28.6% leap in the trade deficit over the first three quarters of 1986. The industry spent 1986 adjusting to the elimination, in December 1985, of import quotas for men's shoes, and further adjustments will be required as import quotas on women's shoes are gradually lifted in 1987. The industry's capital spending in Québec fell by 21%. Unless the Québec leather industry's productive plant can improve its efficiency, it will continue to lose ground, as it has over the past ten years.

For the first nine months of 1986, Québec's CHEMICAL PRODUCTS industry increased the value of its shipments by 9.2%. This performance is mainly due to inorganic products, and surpasses the 5.8% gain posted in 1985 and the 2.4% increase registered by the Canadian industry in 1986. Employment was up slightly. Three indicators point to difficult times for the industry in Québec in the immediate future: reduced international competitiveness, as shown by the 53.4% increase in the trade deficit for the first three quarters of 1986, the increase in the value of inventories (7.8%), and the low capacity

utilization rate (61.2%). However, capital spending grew strongly (81%), much more vigorously than in Canada (54%). Québec's chemical products industry thus appears to be demonstrating a willingness to adapt to the changing market situation.

Québec's RUBBER AND PLASTICS PRODUCTS industry performed well during the first nine months of 1986. Employment grew by significantly more than in the industry in Canada, as well as exceeding that of Québec's manufacturing sector as a whole. Plastic products performed even more dynamically, particularly plastic film, sheeting and bag production. Several indicators point to favourable economic conditions for the industry: improved international competitiveness, as indicated by the 25.7% drop in the trade deficit for the first three months of 1986, stable inventory values, a capacity utilization rate higher than the manufacturing industry average and the extraordinary surge (132%) in capital spending.

The value of shipments by Québec's WOOD industry was up by 12.7% over the first nine months of 1986, compared to the same period in 1985. This was an improvement over the 7.4% gain posted in 1985, but falls short of the 13.9% gain registered in 1986 by the industry in Canada as a whole. The Canadian industry improved its international position: after three quarters, its trade surplus was the second largest in the country's manufacturing sector. The capacity utilization rate rose substantially. Wood production and exports were certainly stimulated, particularly in the third quarter, by the anticipated imposition by the U.S. of a tariff on Canadian lumber.

The value of shipments by Québec's PAPER industry rose 6.8% during the first nine months of 1986. Its performance was similar to that of 1985, and to that of the Canadian industry as a whole in 1986. The Canadian industry is in a good competitive position internationally. The trade surplus for paper, the largest in the entire manufacturing sector in Canada, rose 9.0% over the first three quarters of 1986. The competitive position of Québec's industry in relation to competitors from Scandinavia was aided by the increase in the relative value of European currencies with respect to the Canadian

dollar. The outlook for Québec's paper industry is helped by growing demand for newsprint in the U.S. in 1987 and the anticipated increase in newsprint and pulp prices. The industry's continued development is also bolstered by an increase in capital spending of 67% in 1986.

Growth in Québec's FURNITURE industry slowed somewhat this year, the value of shipments gaining only 6.3% over the first nine months of 1986, compared to 14% in 1985. The slight deterioration in international competitiveness and the increase in the value of inventories should not have an appreciable influence on the performance of Québec furniture makers. The 27% increase in capital spending in 1986 is indicative of their concern to maintain productivity. Québec design is recognized for its flexibility and quick adaptation to changes in the market place.

Over the first nine months of 1986, the value of shipments by Québec's PRIMARY METAL industry rose 7.3%. This is up sharply from the 1.5% increase posted in 1985. However, these data do not reflect the drop in steel production at Sidbec following a breakdown at its Contrecoeur continuous casting installations in May. Sidbec met its delivery commitments to its clients by reselling products obtained from competitors. These data also do not reflect the effects of the over-three-month strike at the Zinc Électrolytique du Canada plant in Valleyfield, which was the main reason for the rise in the price of zinc during the third quarter of 1986. The 29.5% drop in the substantial trade surplus over the first three quarters of 1986 and the 35% fall in capital spending in Québec indicate that certain industries in the group, such as steel, are still encountering difficulties. The world steel market is continuing its rapid shift towards developing countries, where the need for urban infrastructures, new plant and equipment is growing rapidly, and the appetite for consumer durables is virtually unlimited. Beginning in 1988, the demand for steel in Brazil will exceed the demand in Canada and Great Britain. This presents medium-term opportunities for Québec producers.

Québec's METAL FABRICATING industry performed more sluggishly in 1986 than the industry in Canada as a whole. The value of shipments rose only

3.9% during the first nine months, compared to 15.3% in 1985. Stiffer international competition, as indicated by the 61.2% leap in the trade deficit over the first three quarters of the year, contributed to the 8.3% growth in inventories. However, Québec manufacturers of metal products boosted capital spending by 27.5% in 1986.

In 1986, Québec's NON-METALLIC MINERAL PRODUCTS industry faltered somewhat, in contrast to the Canadian industry. The value of shipments rose 7.3% during the first nine months compared to 11.5% in 1985. Inventories remained stable and the trade deficit rose slightly. Capital spending in Québec jumped by 35% and helped improve the competitive position of Québec producers on both domestic and export markets.

Québec's MACHINERY industry underwent a period of contraction in 1986, which was more severe than for the industry in Canada as a whole. During the first nine months of the year, the value of shipments fell by 2.3%, compared to the substantial growth of 20.8% posted in 1985. The trade deficit, the highest in the entire Canadian manufacturing sector, was up 19.7% during the first nine months of 1986. Capital spending in Québec was up only slightly. This industry's development is more a question of long-term planning.

Québec's ELECTRICAL AND ELECTRONIC PRODUCTS industry grew modestly in 1986, though it performed better than the industry in Canada as a whole. Over the first nine months of the year, the value of shipments rose 7.4% in Québec, and actually fell in Canada as a whole. Employment rose 7.3%. Québec's exports of telecommunications equipment, computer equipment and semiconductors were down. The higher output was thus spurred by more vigorous domestic demand. International competition continues to be very intense, and if anything, is increasing. The trade deficit, the second largest in the manufacturing sector, grew by 20.0% over the first nine months of 1986. Québec manufacturers of electrical and electronic products maintained their share of the Canadian industry's capital spending. However, capital spending did not increase in 1986. This sector is changing rapidly, and the firms involved must be very careful not to allow their future development to be compromised.

Québec's TRANSPORTATION EQUIPMENT industry, influenced, as was the Canadian industry as a whole, by lower demand for automobiles, posted slower growth in 1986. After a gain of 12.9% in 1985, the value of shipments rose only 4.2% over the first nine months of 1986. Over this same period, this sector continued to post a slight trade deficit. The industry in Québec increased its capital spending by 26% in 1986, which is higher than the average for Québec's manufacturing sector.

A number of developments in 1986 will have a positive influence on the industry in Québec: Bombardier's purchase of Canadair and the latter's success in winning the CF-18 maintenance contract, the major investments by Pratt and Whitney, the establishment of Hyundai's plant in Bromont, Bombardier's exports of public transit rolling stock, and the agreement reached between Bombardier and Hitachi to manufacture locomotives.

Two other events could influence the industry in 1987: GM's decision to modernize its Boisbriand plant, and Marine Industries' consolidation of the three industrial complexes of Versatile Davie, Versatile Vickers and Marine, at Tracy.

The performance of the Québec PRINTING AND PUBLISHING industry improved in 1986, as did that of the Canadian industry as a whole. The value of shipments rose by 10.2% over the first nine months of the year, compared to 5.9% in 1985. Employment was up substantially. Canada-wide indicators reveal some strengthening in the industry, especially in advertising publications and business forms. Canadian exports grew much more rapidly than imports, thus reducing the relative size of the trade deficit. The capacity utilization rate reached 100%. The 22% increase in capital spending in Québec was well above that of the Canadian industry, and reflects the move towards modernization and installation of new technology. The outlook for the coming months points to expansion, with both the Canadian and U.S. markets offering good opportunities.

The MISCELLANEOUS MANUFACTURING group in Québec, whose major products include sporting goods, games and toys, and instruments, equalled the performance of the industry in Canada as a whole in 1986. In both cases, employment fell by roughly 4% over the first nine months of the year. The trade deficit, already relatively high, rose again over the first three quarters of 1986. The 74% leap in capital spending in 1986 by this industry group in Québec points to an improvement in its competitiveness in the near future.

TRADE SECTOR DEVELOPMENTS IN QUÉBEC IN 1986

Summary

In 1986, retail sales continued their upward trend begun two years before. Sales of durable goods, especially used cars and household furniture, were the most dynamic although all kinds of retail businesses under study experienced increased sales. The Montréal consumer price index was pushed up sharply particularly by higher food prices. However, the drop in energy prices helped to limit inflationary pressure. Over the year, real personal disposable income and savings decreased and consumer credit increased.

Québec wholesale sales grew less rapidly than their retail counterparts. Inventories grew more than in the rest of Canada but remained low in relation to sales. Improvements in the labour market, observed for the retail and especially wholesale trade sectors, were concentrated in full-time jobs. The retail trade sector experienced numerous labour disputes which, nevertheless, did not involve large numbers of workers. On the other hand, in the wholesale trade sector, labour relations improved markedly. Earnings were high in retail trade but levelled off in wholesale trade. The number of bankruptcies and the liabilities involved fell for the fourth consecutive year. Capital spending rose particularly for commercial services and construction.

RETAIL SALES

In 1986, Québec's retail sales continued their growth trend begun two years before, rising by 10.9%. The surge in Québec's retail sales outstripped the growth in Ontario and Canadian sales due to greater increases in the motor vehicle and food sectors. Québec retail sales accounted for 25.2% of all Canadian sales.

RETAIL SALES *
QUÉBEC
1983 -- 1986

KIND OF BUSINESS	1983	1984 VALUE IN $'000	1985 '000	1986E	1984	1985 % CHANGE	1986E
DURABLE GOODS	5 629.2	6 337.8	7 315.6	8 142	12.7	17.2	14.1
Motor vehicle dealers	3 334.5	4 046.7	5 081.5	5 865	20.3	25.9	15.4
Used car dealers	175.3	199.9	251.5	301	14.0	25.8	19.6
Automotive parts and accessories stores	547.7	577.4	578.5	617	5.4	0.2	6.7
Household furniture stores	537.3	611.2	526.1	605	13.8	- 13.9	15.0
Household appliance stores	35.6	34.4	35.3	40	- 3.4	18.1	13.4
Furniture, TV, radio and appliance stores	208.2	268.2	297.9	334	28.8	48.4	12.1
Jewellery stores	138.2	150.0	139.0	171	8.5	- 7.3	23.1
SEMI-DURABLE GOODS	5 692.2	6 113.7	6 692.3	7 173	7.4	9.5	8.8
Department stores	1 751.3	2 128.7	2 277.1	2 500	21.5	6.8	9.8
General merchandise stores	385.3	391.6	399.2	403	1.6	1.9	1.0
General stores	242.3	251.7	249.8	301	3.8	- 0.8	20.5
Men's clothing stores	222.1	229.9	243.5	266	3.5	5.9	9.3
Women's clothing stores	507.3	545.9	712.4	810	7.6	30.5	13.7
Family clothing stores	338.7	375.6	556.3	720	10.9	48.1	29.4
Specialty shoe stores	45.9	50.7	56.5	73	10.5	11.4	29.2
Family shoe stores	254..	288.4	402.3	444	13.5	39.5	10.3
Hardware stores	373..	386.5	411.6	500	3.6	6.5	21.5
Book and stationery stores	123..	131.8	139..	152	7.1	5.6	9.3
Sporting goods and accessories stores	429.4	488.8	525..	571	13.8	7.5	8.9
Personal accessories stores	410.3	425..	451.2	483	3.7	6..	..
NON-DURABLE GOODS	3 906.4	3 841.5	3 928.5	4 142	- 1.6	2.3	5.4
Combination stores (groceries and meat)	1 252.3	1 329.1	1 380.8	1 458	6.1	3.9	5.6
Grocery, confectionery and sundries stores	1 585.3	1 773.3	1 844.6	1 979	11.9	4.0	7.3
All other food stores	709.1	751..	745.3	807	5.9	- 0.8	8.3
Variety stores	313.0	338.4	348.8	371	8.1	3.1	6.3
Pharmacies, patent medicine and cosmetics stores	362.5	1 254..	1 300.1	1 395	12.2	3.7	7.3
Florists	12.3	16.7	18.1	22	35.8	8.1	21.5
TOTAL RETAIL SALES	20 227.8	22 293.1	25 336.4	27 697	10.2	9.8	10.3

* Excluding services, garages and stations
E Estimate
SOURCES: Statistics Canada, Cat. 63-005;
Direction de l'analyse économique et des relations internationales, MIC.

Sales did not drop for any kind of retail business in 1986. Once again, sales of durable goods, particularly motor vehicles, televisions and radios, increased the most, rising 14.1%. Sales of semi-durable goods were up 8.8% as a result of strong performances by general stores and hardware stores. Sales of non-durable goods rose by 9.7%; trade was most dynamic for grocery and confectionery stores, and other food stores.

Since 1984, the rate of growth for durable goods has dwindled while that of semi-durable goods has grown slightly and that of non-durable goods has fluctuated somewhat. During the first three quarters of 1986, Québec's retail sales grew faster than Ontario's in the durable and non-durable goods sectors but less quickly in the semi-durable goods sector. In 1985, Ontario's sales growth had outstripped Québec's in all three categories of goods.

RETAIL PRICES

The Montréal consumer price index was up 4.8% for the first ten months of 1986 compared with year-earlier figures. The Canadian CPI rose by 4.2% for the first ten months of 1986, whereas it had risen only 3.8% for the same period in 1985.

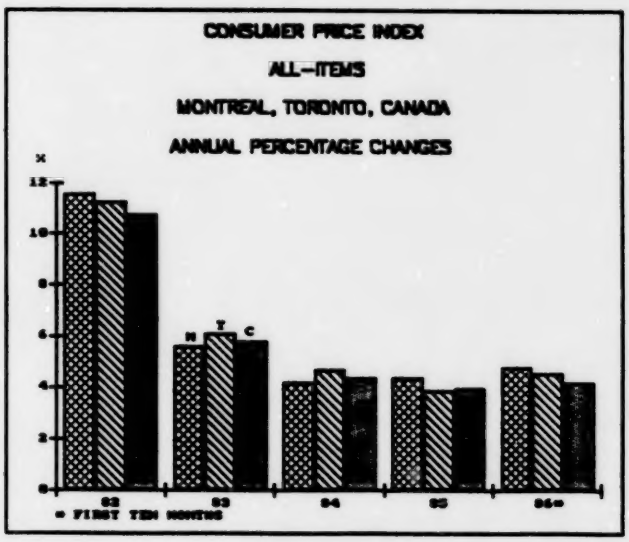
CONSUMER PRICE INDEX

ANNUAL CHANGE

	Montréal			Québec City		
	1984	1985	1986E	1984	1985	1986E
ALL ITEMS	4.2	4.4	4.8	3.7	4.5	4.9
Food	4.8	3.6	6.8	4.6	4.3	6.8
All-items excluding food	4.0	4.6	4.4	3.4	4.6	4.4
Housing	4.5	4.0	3.1	4.0	4.0	3.3
Clothing	0.2	2.9	3.1	0.7	0.5	3.1
Transportation	3.9	4.6	3.2	2.7	3.5	3.1
Health and personal care	3.7	4.3	4.6	4.2	4.7	4.7
Recreation, reading and education	2.6	3.3	4.4	0.6	3.2	4.6
Tobacco products and alcoholic beverages	7.0	12.7	16.4	7.0	11.7	15.1
Energy	6.2	5.0	- 7.1	3.6	4.2	- 4.0
All-items excluding food and energy	3.9	4.5	5.6	3.4	4.6	5.6
Durable goods	3.0	2.8	5.2	3.2	3.0	4.1
Semi-durable goods	2.2	2.7	2.9	2.6	3.4	3.0
Non-durable goods	4.9	5.3	4.5	4.2	5.6	5.5
Services	4.4	4.4	5.3	3.8	4.1	5.0

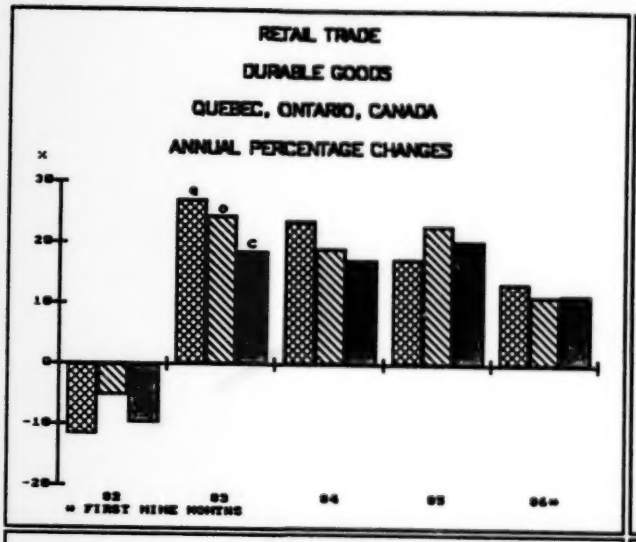
E : Estimate

SOURCES: Statistics Canada, Cat. 62-010 and Cansim;
Direction de l'analyse économique et des relations internationales, MIC.



The Montréal consumer price index was driven up to a great extent by food prices, whose annual increase reached 6.5%. Had food prices been excluded, the Montréal CPI would have been up only 4.4%. The 7.1% drop in energy prices helped to limit inflationary pressure.

Prices increased in 1986 by 2.9% for semi-durable goods, by 4.5% for non-durable goods, and by 5.2% for durable goods. In 1985, prices of durable goods had risen by 2.8%. Prices for services rose by 5.3% compared to 4.4% for 1985.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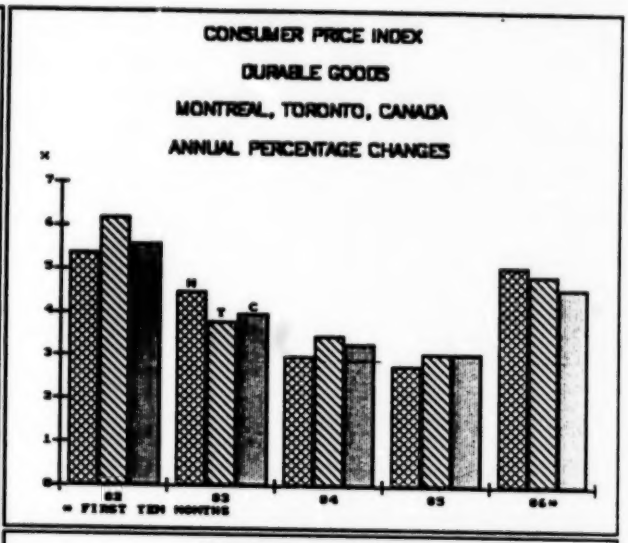
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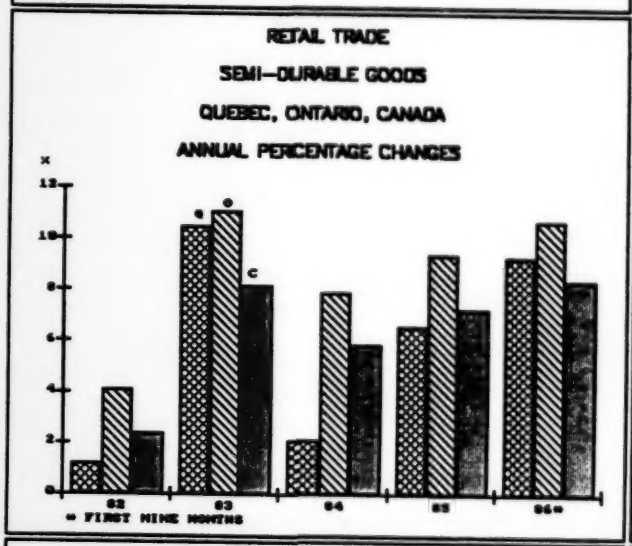
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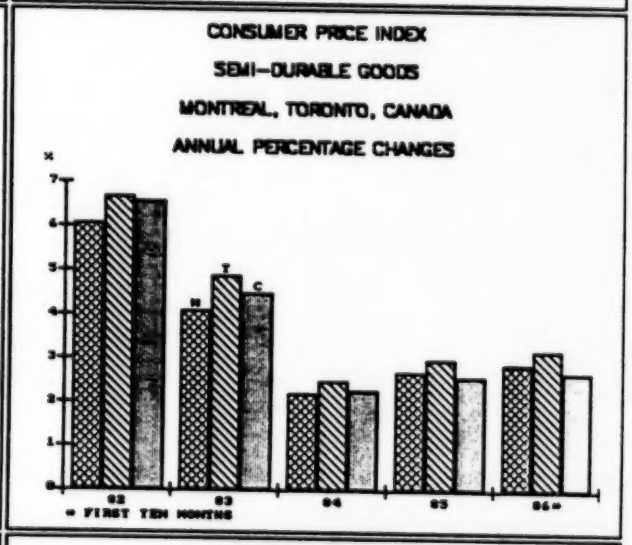
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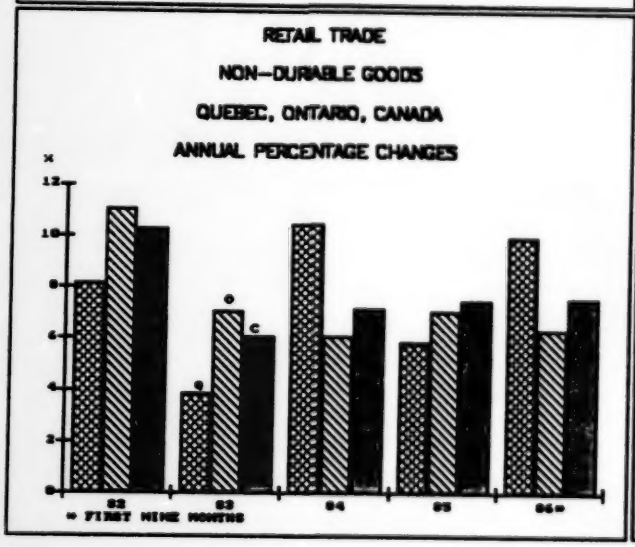
RETAIL TRADE
NON-DURABLE GOODS
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ANNUAL PERCENTAGE CHANGES
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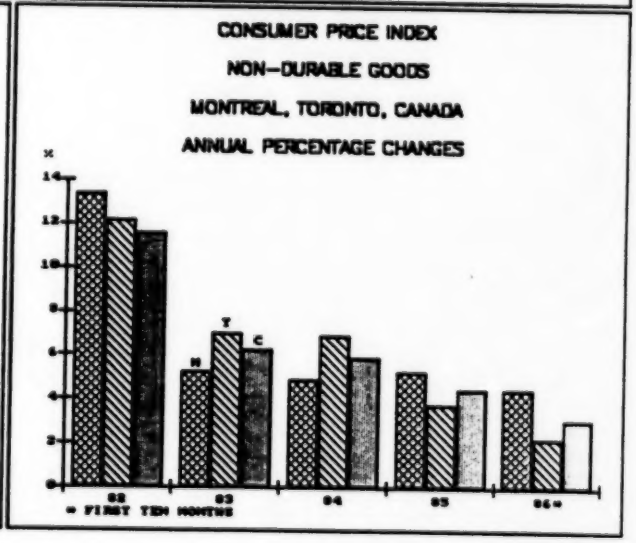
CONSUMER PRICE INDEX
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MONTREAL, TORONTO, CANADA
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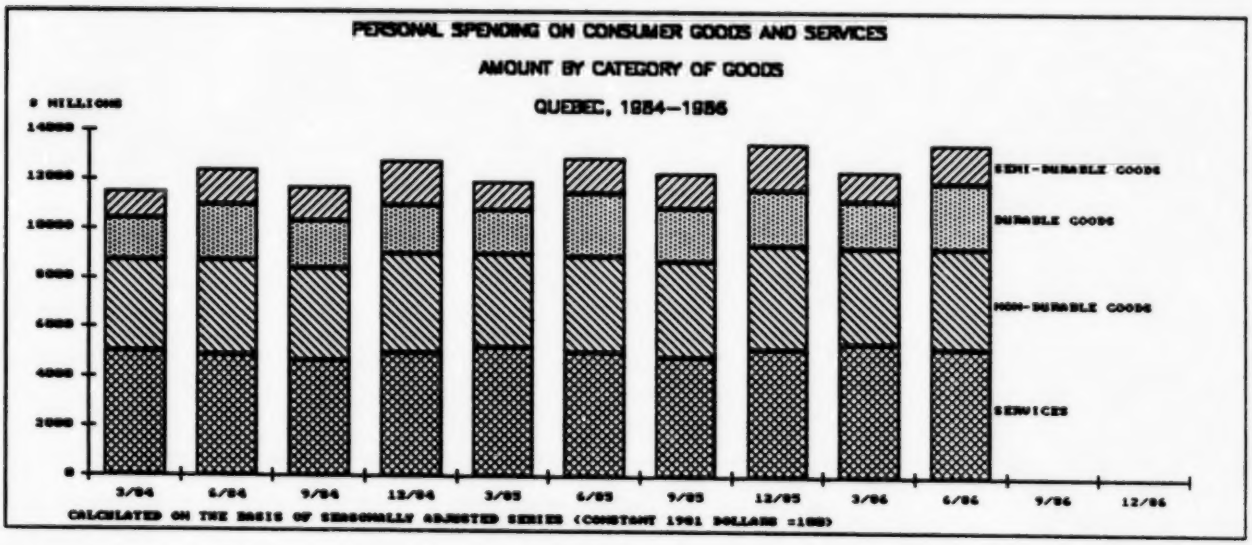
PERSONAL CONSUMER SPENDING: FINANCING

Real personal disposable income decreased by 2.2% during the second quarter of 1986 compared to the same quarter for the preceding year. In 1985, it fell by 0.9% during the first quarter and by 0.4% during the fourth.



Quebecers dipped into their savings to help finance their consumer spending. Personal savings decreased by an average of 40% for the last four quarters for which data are available. Savings, expressed as a percentage of personal disposable income, stood at 7.9% and 8.2% for the first two quarters of 1986.

Consumer credit increased by 10.2% and 10.1% during the first and second quarters of 1986 compared to their counterparts in 1985. The number of personal bankruptcies, which had fallen continuously over the preceding three years, rose by more than 15% during the first ten months of 1986.

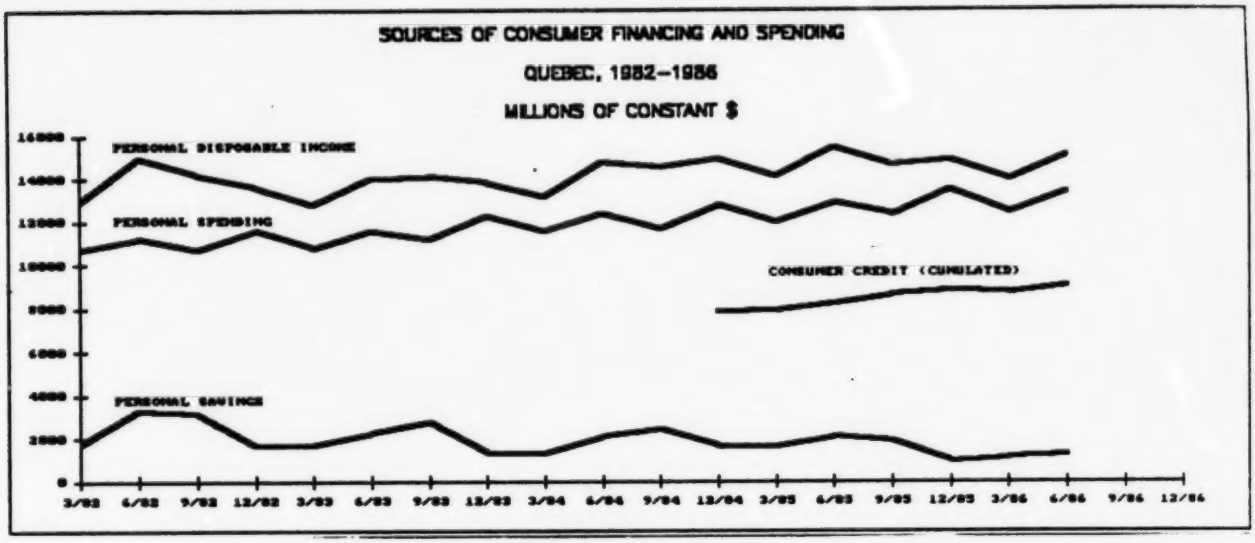
ALLOCATION OF RESOURCES FOR CONSUMPTION IN QUÉBEC, 1982-1986 QUARTERLY AND ANNUAL DATA

(IN CONSTANT $'000 000)

	YEAR: 1983	1984 I	1984 II	1984 III	1984 IV	YEAR: 1984	1985 I	1985 II	1985 III	1985 IV	YEAR: 1985	1986 I	1986 II	1986 III
PERSONAL SPENDING ON CONSUMER GOODS AND SERVICES:	45 770 3.2	11 546 7.2	12 285 7.0	11 579 4.8	12 781 4.4	48 404 5.8	11 975 3.7	12 981 4.0	12 212 5.4	13 497 5.6	50 594 4.7	12 450 4.0	13 435 4.2	n.a. n.a.
GOODS:														
- DURABLE GOODS:	6 561 15.7	1 645 27.0	2 240 21.0	1 384 13.7	1 961 11.6	7 729 17.8	1 301 9.5	2 334 13.1	2 164 14.9	2 218 13.1	8 715 12.8	1 343 7.9	2 575 5.6	--- ---
- SEMI-DURABLE GOODS:	5 567 4.8	1 127 5.8	1 451 5.8	1 397 3.5	1 334 2.7	5 314 4.4	1 157 2.5	1 482 2.1	1 463 4.7	1 938 5.5	6 044 4.3	1 204 4.1	1 567 5.3	--- ---
- NON-DURABLE GOODS:	15 002 - 1.9	3 705 3.4	3 858 3.0	3 753 1.2	4 038 2.0	15 358 2.4	3 782 2.1	3 869 3.3	3 838 2.3	4 180 3.5	15 678 2.1	3 833 1.4	4 029 4.1	--- ---
SERVICES:	18 674 3.4	5 044 4.9	4 883 5.3	4 666 4.2	4 972 4.6	19 556 4.7	5 213 3.4	5 360 3.6	4 875 4.5	5 198 4.5	20 136 4.0	5 591 7.3	5 243 3.6	--- ---
PERSONAL DISPOSABLE INCOME: (R)	54 748 - 1.8	13 179 3.1	14 781 6.4	14 544 3.1	14 980 3.0	57 476 5.0	14 109 7.1	15 445 4.5	14 635 0.6	14 877 - 0.7	59 069 2.8	13 988 - 0.9	15 106 - 2.2	--- ---
CONSUMER CREDIT: CUMULATIVE)	7 094 9.3	--- ---	--- ---	--- ---	7 384 ---	7 967 12.3	7 944 ---	8 279 ---	8 666 ---	8 341 ---	8 384 12.8	8 750 10.2	9 118 10.1	--- ---
CHANGE)	343 -387.4	--- ---	--- ---	--- ---	--- ---	1 157 12.6	154 ---	443 ---	497 ---	246 ---	1 353 16.9	29 -82.1	461 4.1	--- ---
PERSONAL SAVINGS:	7 521 -20.6	1 251 -24.6	1 976 - 7.9	2 236 -11.6	1 644 24.9	7 364 - 7.0	1 617 29.3	2 048 3.6	1 779 -22.2	878 -43.1	6 108 -17.0	1 104 -31.7	1 234 -39.7	--- ---
SAVINGS/PERSONAL DISPOSABLE INCOME RATIO	13.9 ---	9.6 ---	13.4 ---	15.7 ---	10.8 ---	12.8 ---	11.5 ---	13.3 ---	12.2 ---	5.9 ---	10.7 ---	7.9 ---	8.2 ---	--- ---
QUÉBEC INCOME TAX:	10 924 - 2.4	2 953 4.9	2 451 - 4.9	2 803 7.1	3 013 3.4	11 222 2.7	2 916 - 1.3	2 711 10.5	3 068 9.5	3 212 6.5	11 913 6.1	3 132 9.5	2 989 10.2	--- ---
GROSS DOMESTIC PRODUCT:	79 118 2.6	19 562 5.9	20 661 4.5	21 073 2.4	21 387 3.4	82 189 4.1	20 681 5.2	21 219 2.7	21 756 3.2	22 387 4.7	85 731 4.1	21 489 3.9	22 230 4.7	--- ---
HOUSING STARTS: (1)														
- URBAN CENTRES:	33 646 76.7	39 667 63.0	31 333 -26.0	33 667 20.2	36 333 3.8	34 974 3.9	47 333 19.3	34 667 10.6	36 667 8.9	50 667 39.4	41 404 18.4	40 333 -14.8	54 667 57.7	54 667 49..
- ALL REGIONS:	40 316 71.6	47 000 74.1	40 000 -24.5	40 000 17.6	42 000 5.0	40 318 0.0	50 000 6.4	42 000 5.0	44 000 10.0	59 000 40.5	48 031 19.1	47 000 - 6.0	63 000 50.0	62 000 40.9
PERSONAL BANKRUPTCIES: (2)														
- Number	7 561 -14.8	--- ---	--- ---	--- ---	--- ---	5 269 -17.1	--- ---	--- ---	4 701* ---		5 684 - 9.3	--- ---	--- ---	5 417* 15.2
- Liabilities involved	223 385 -23.9	--- ---	--- ---	--- ---	--- ---	188 981 -15.4	--- ---	--- ---	--- ---		170 469 - 9.8	--- ---	--- ---	--- ---

(R): Readjusted (-): Not available (1) Number of units, quarterly average on an annual basis
* For the first ten months (2) Consumer bankruptcies (individuals)
** The first line represents the amount in constant $.
The second line represents the % change compared to the same quarter of the preceding year.

Source: BUREAU DE LA STATISTIQUE DU QUÉBEC; STATISTICS CANADA, CONSUMER AND CORPORATE AFFAIRS CANADA; MIC.



WHOLESALE SALES

For the first eight months of 1986, Québec wholesale sales rose by 7.2% compared to the same period in 1985; the corresponding year-earlier rise had been 7.9%. For the first eight months of 1986, Canadian wholesale sales were up 11.5% compared to the same period in 1985, a stronger gain than the year-earlier 11.1% increase. Wholesale sales of lumber and building materials, stimulated by high levels of construction activity in Canada and the United States, continued to grow throughout the year.

Québec wholesalers' inventory levels increased by 11.3% between August 1985 and August 1986. In Ontario, the corresponding increase was 10.7% and in Canada as a whole, it was 8.6%. The inventory/sales ratio remained lower in Québec, at 1.42, than in Ontario and Canada as a whole, where it reached 1.59.

EMPLOYMENT

The trade sector was responsible for creating the most jobs in Québec in 1986, i.e. 23 600. Jobs were up 4.8% compared to 1985, a rise that outstripped the figure for the Québec economy as a whole, 2.2%, and that was exceeded only by the increase posted by the construction sector (12.3%, which represented 15 400 additional jobs). In 1985, employment in the trade sector has risen 2.3%. Ontario's trade sector created 20 500 jobs, for a 2.7% increase.

EMPLOYMENT - TRADE SECTOR AS A WHOLE

QUÉBEC

	1984	1985	1986	1985/1984	1986/1985
	'000			Percentage change	
Employment					
Total	480.3	491.3	514.9	2.3	4.8
Men	288.2	294.8	320.1	2.3	8.6
Women	192.0	196.2	194.9	2.2	- 0.7
Full-time employment					
Total	381.9	394.5	418.7	3.3	6.1
Men	252.6	261.8	284.4	3.6	8.6
Women	129.2	133.0	134.3	2.9	1.0
Part-time employment					
Total	98.5	96.8	96.2	- 1.7	- 0.6
Men	35.5	33.3	35.7	- 6.2	7.2
Women	63.0	63.3	60.6	0.5	- 4.3

EMPLOYMENT - WHOLESALE TRADE SECTOR

QUÉBEC

	1984	1985	1986	1985/1984	1986/1985
	'000			Percentage change	
Employment					
Total	113.7	127.8	139.0	12.4	8.8
Men	83.4	94.8	104.3	13.7	10.0
Women	30.2	33.0	34.8	9.3	5.5
Full-time employment					
Total	106.2	118.8	130.8	11.9	10.1
Men	80.4	91.5	101.2	13.8	10.6
Women	25.8	27.3	29.6	5.4	8.4
Part-time employment					
Total	7.4	9.1	8.2	23.0	- 9.9
Men	2.9	3.3	3.2	10.3	- 3.0
Women	4.5	5.8	5.0	28.9	-11.8

SOURCES: Statistics Canada, Cat. 71-001 and special compilation; Direction de l'analyse économique et des relations internationales, MIC.

The retail trade sector increased its workforce by 12 500. This represented a 3.4% rise compared to a 0.9% decrease in 1985. An additional 12 000 full-time jobs were created, for a 4.4% increase, while the number of part-time jobs rose slightly, by 0.8%.

The wholesale trade sector employed an additional 11 200 workers. The growth in employment (8.8%) was less than in 1985 (12.4%). An additional 12 000 full-time jobs were created, but part-time jobs fell by 9.9%.

For the trade sector as a whole, job creation was restricted to full-time employment. An additional 24 200 full-time jobs were created but the number of part-time jobs dropped. The loss

EMPLOYMENT - RETAIL TRADE SECTOR

QUÉBEC

	1984	1985	1986	1985/1984	1986/1985
	'000			Percentage change	
Employment					
Total	366.6	363.4	375.9	- 0.9	3.4
Men	204.5	200.2	215.7	- 2.1	7.7
Women	161.9	163.2	160.1	0.8	- 1.9
Full-time employment					
Total	275.7	275.8	287.8	0.04	4.4
Men	172.2	170.0	183.3	- 1.3	7.8
Women	103.5	105.8	104.6	2.2	- 1.1
Part-time employment					
Total	90.8	87.5	88.2	- 3.6	0.8
Men	32.5	30.2	32.4	- 7.1	7.3
Women	58.3	57.3	55.8	- 1.7	- 2.6

SOURCES: Statistics Canada, Cat. 71-001 and special compilation; Direction de l'analyse économique et des relations internationales, MIC.

of 900 part-time jobs in the wholesale trade sector was only partially offset by the creation of 700 part-time jobs in the retail trade sector.

WAGES

Average hourly earnings of employees paid by the hour in Québec's trade sector was $7.87 for the first nine months of 1986, a 3.4% increase over the same period in 1985; they reached $9.01 in the wholesale sector, up 3.0%, and $7.55 in the retail sector, up 3.4%. Motor vehicle dealers posted the highest average hourly earnings, with $10.33.

AVERAGE EARNINGS IN THE TRADE SECTOR

QUÉBEC

average over 9 months

	Weekly earnings 1/			Hourly earnings 2/		
	$ 1985	$ 1986	% change	$ 1985	$ 1986	% change
Wholesale trade	395.16	417.80	5.7	8.75	9.01	3.0
Petroleum products	448.12	434.84	- 3.0	9.42	8.64	- 8.3
Paper and paper products	476.43	515.03	8.1	9.16	9.73	6.2
Food	374.09	401.51	7.3	9.15	9.66	5.6
Apparel and dry goods	374.13	424.32	13.4	9.67	7.72	-20.2
Electrical machinery, equipment and supplies	437.32	484.32	10.7	8.91	9.58	7.5
Machinery and equipment, n.e.s.	413.50	439.34	6.2	9.54	9.90	3.8
Lumber and building materials	372.17	389.02	4.5	9.56	9.19	- 3.9
Retail trade	254.29	265.25	4.3	7.30	7.55	3.4
Food stores	252.46	247.89	- 1.8	7.90	7.86	- 0.5
General merchandise stores	297.72	327.32	9.9	7.25	7.43	2.5
Retailers of automotive products	421.72	450.79	6.9	7.95	8.27	4.0
Tire, battery and accessories stores	295.76	301.77	2.0	7.21	7.79	8.0
Gasoline service stations	312.38	318.79	2.1	6.29	6.83	8.6
Motor vehicle dealers	434.84	457.02	5.1	10.08	10.33	2.5
Motor vehicle repair shops	310.89	324.52	4.4	8.00	8.34	4.3
Apparel and shoe stores	197.16	211.10	7.1	6.59	6.82	3.5
Women's clothing stores	191.60	202.71	5.8	6.48	6.68	3.1
Household furniture and appliance stores	285.41	295.11	3.4	8.48	8.34	- 1.7
Drug stores	251.01	235.00	- 6.4	7.25	7.33	1.1
TOTAL	296.89	310.07	4.4	7.61	7.87	3.4

1/ For all employees, including overtime.
2/ For employees paid by the hour, including overtime.

SOURCES: Statistics Canada, Cat. 72-002; Direction de l'analyse économique et des relations internationales, MIC.

The greatest increase in 1986 was in the apparel and dry goods sector, with 15.7%. Average weekly earnings for all employees were $310.07, for a rise of 4.4%. Average weekly earnings reached $417.80 in the wholesale trade sector, up by 5.7%, and $265.25 in the retail trade sector, up 4.3%. The highest average weekly earnings were in the wholesale electrical

machinery and equipment sector, with $484.92. The greatest increase in average weekly earnings for 1986 was 13.3%, in the apparel and dry goods sector. Retail food stores and drug stores both registered decreases in average weekly and hourly earnings.

LABOUR RELATIONS

More than 15 800 workers in Québec's trade sector had to renew their collective agreements in 1986. Of this number, close to 7 600 did so without any work stoppages, 3 600 went on strike and subsequently reached an agreement, 200 were on strike and still negotiating in early November and collective agreements covering 4 400 were due to expire in November and December.

In the trade sector, 107 155 person-days were lost due to strikes or lock-outs during the first ten months of 1986. This represented a 34.8% increase over the same period in 1985. Person-days lost in the trade sector accounted for 5.9% of the total for all industries in Québec, compared to 15.4% for 1985. The number of workers involved dropped by 66.5%; consequently, the average number of days lost per worker rose from 10.9 to 28.3. Of the 440 collective agreements to be renewed in 1986, approximately 88% were signed without labour disputes.

The retail trade sector experienced many labour disputes involving small numbers of workers. Person-days lost totalled 104 826 for the first ten months of 1986, a 54.4% rise over the same period for 1985. The number of workers involved, however, dropped by 66.1% reaching only 3 541. As a result, the average number of person-days lost ballooned to 29.6, whereas it had been only 10.7 the preceding year. Of the 50 labour disputes in 1986, 45 were ended during the year, three by closing down the establishment. More than 80% of the collective agreements were signed without a labour dispute. The person-days lost represented less than 0.1% of the estimated working days. The Steinberg group alone recorded 62 300 person-days lost, 59% of the total.

PERSON-DAYS LOST DUE TO WORK STOPPAGES
AND NUMBER OF WORKERS INVOLVED
TRADE SECTOR
QUÉBEC

	1982	1983	1984	1985	1986*	1983/1982	1984/1983	1985/1984	1986*/1985
	(number)					(percentage change)			
Wholesale trade									
Person-days	9 768	9 603	9 160	14 975	2 329	- 1.7	- 4.6	63.5	-79.9
Workers	496	344	246	993	242	-30.6	-28.5	303.7	-71.4
Days per worker	19.7	27.9	37.2	15.1	9.6				
Retail trade									
Person-days	101 116	185 356	30 492	161 031	104 826	83.3	-56.6	100.1	54.4
Workers	2 180	12 254	2 528	15 101	3 541	462.1	-79.4	497.3	-66.1
Days per worker	46.4	15.1	31.8	10.7	29.6				
Trade sector as a whole									
Person-days	110 884	194 959	39 652	176 006	107 155	75.8	-54.3	96.3	24.8
Workers	2 676	12 598	2 774	16 094	3 783	370.8	-78.0	480.2	-66.5
Days per worker	41.4	15.5	32.3	10.9	28.3				

* 10 months

SOURCES: Travail Québec, "Grèves et lock-out au Québec";
Direction de l'analyse économique et des relations internationales, MIC.

LABOUR DISPUTES, TRADE SECTOR

QUÉBEC

10 MONTHS OF 1986

	Number of employees	Person-days lost	% of working days lost
Wholesale trade	138 600	2 329	---
Retail trade	375 500	104 826	0.1
Trade sector as a whole	514 100	107 155	0.1

NOTE: The estimate for working person-days is based on the product of the number of employees per number of working days for 10 months, namely, 210.

Labour relations in the wholesale trade sector improved markedly. A total of 2 349 person-days were lost during the first ten months of 1986, a decrease of 79.9% compared to the same period in 1985. The number of workers involved dropped by 71.4% to 242. The average number of days lost per worker dropped to 9.6 compared to 15.1 for the preceding year. Of the 130 collective agreements to be renewed, there were only 4 labour disputes, all of which were settled. Montréal's Entreprises Union Électrique lost 1 100 person-days, 47% of the total.

In 1987, 420 collective agreements involving 18 500 workers will expire in the trade sector as a whole. In the wholesale trade sector, there will be 186 involving 5 400 workers.

PROFITS

Earnings[1] in the Canadian and Québec trade sectors increased by 6.7% for the first three quarters of 1986 compared to the corresponding period in 1985.

For the first three quarters of 1986, earnings in the retail trade sector rose by 13.0%. Department stores shone with a 26.2% increase. In the wholesale trade sector, earnings maintained their 1985 level. Lumber and building materials wholesalers saw their earnings rise sharply by 35.7%. However, wholesalers of motor vehicles and accessories saw their earnings drop by 16.3%.

During the first, second and third quarters of 1986, trade sector earnings rose 7.5%, 7.9% and 4.8% respectively. The corresponding increases in the retail sector were 14.9%, 12.9% and 11.1%; for the same periods, in the wholesale sector, earnings fell 1.7%, rose 3.5% and dropped again by 1.0%.

Three indicators point to a considerable increase in earnings in the Québec trade sector in 1986: the increase in Québec's retail sales which outstripped increases for Ontario and Canada as a whole; the significant decrease in the number of bankruptcies in Québec and liabilities involved; and the drop in Québec's share of the liabilities involved in bankruptcies in the Canadian trade sector.

BANKRUPTCIES

The number of bankruptcies in Québec's trade sector continued to drop in 1986, a trend which began in 1982. The number fell by 5.5% for the first ten months compared to the same period in 1985. Over the year 1985 as a

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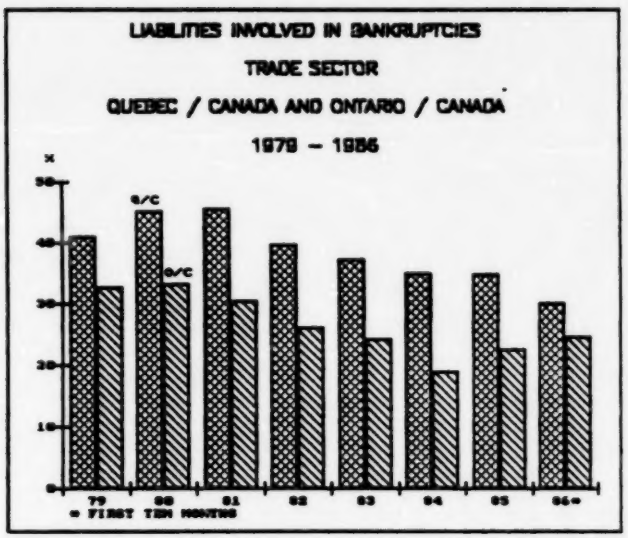
1 Basic earnings



whole, it decreased by 6.6%. The liabilities involved in bankruptcies diminished for the fourth consecutive year. For the first ten months of 1986, they fell by 17.5%, compared to 22.3% for 1985 as a whole. Québec's share of the liabilities involved in the Canadian trade sector as a whole was only 30.2% compared to 34.9% in 1985 and 39.8% in 1982. The liabilities involved in bankruptcies fell by 21.0% in the retail trade sector for the first ten months of 1986 and by 9.6% in the wholesale sector. In both cases, liabilities involved dropped more sharply in Québec than in Canada as a whole.

The average amount of liabilities involved in a bankruptcy in the trade sector fell to $108 422 for the first ten months of 1986, a 12.7% drop compared to the same period in 1985. For 1985 as a whole, it was $126 386. Average liabilities fell to $86 286 in the retail trade sector and $214 853 in the wholesale trade sector between January and October 1986.

COMMERCIAL FAILURES IN THE TRADE SECTOR

QUÉBEC - ONTARIO - CANADA

	1982	1983	1984	1985	1986*	1983/1982	1984/1983	1985/1984	1986*/1985
						percentage change			
Number									
- Québec	1 470	1 277	1 093	1 021	824	-13.1	-14.4	- 6.6	- 5.5
- Ontario	1 036	892	687	578	485	-13.9	-23.0	-15.9	- 0.6
- Canada	3 283	3 026	2 669	2 430	2 036	- 7.8	-11.8	- 9.0	- 1.1
- Qué./Can. (%)	44.8	42.2	41.0	42.0	40.5				
- Ont./Can. (%)	31.6	29.5	25.7	23.8	23.8				
Liabilities involved ($'000)									
- Québec	260 264	214 286	165 972	129 040	39 356	-17.7	-22.6	-22.3	-17.6
- Ontario	171 382	139 582	39 916	33 681	73 393	-18.8	-35.6	- 5.9	13.6
- Canada	654 564	574 777	473 354	369 623	295 900	-12.2	-17.6	-21.9	- 4.6
- Qué./Can. (%)	39.8	37.3	35.1	34.9	30.2				
- Ont./Can. (%)	26.3	24.3	19.0	22.6	24.8				

* 10 months

SOURCES: Consumer and Corporate Affairs Canada, Office of the Superintendent of Bankruptcy, "Insolvency Bulletin"; Direction de l'analyse économique et des relations internationales, MIC.

CAPITAL SPENDING

Capital spending in Québec's trade and commercial services sectors reached $2 097.8 million in 1986, a 14.4% increase over 1985. It totalled $406.6 million in the trade sector, up 3.8% over 1985, and $1 691.2 million in the commercial services sector, up 17.3%. For these two sectors, construction expenditures rose to $403 million, for a 23.6% increase, and spending for machinery and equipment reached $1 694.8 million, up 12.5%.

Merchants significantly decreased their capital spending in food stores and service station chains; spending increased in all other trade sector categories, especially in department stores. Spending on construction of new buildings and extensions rose particularly in department stores and in wholesale trade centres.

CAPITAL SPENDING
TRADE AND COMMERCIAL SERVICES
QUÉBEC
1982-1986

	1982	1983	1984	1985*	1986*	1983/1982	1984/1983	1985/1984	1986/1985
Trade - Total	285.6	325.7	408.7	391.6	406.6	14.0	25.5	- 4.2	3.8
Wholesale stores	90.4	120.0	141.8	146.4	154.8	32.7	18.2	3.2	5.7
Department stores	20.8	23.6	15.8	15.0	27.7	13.5	-33.1	- 5.1	84.7
Service station chains	54.1	55.8	75.5	62.8	54.0	3.1	35.3	-16.8	-14.0
Motor vehicle dealers	13.3	13.7	26.6	33.3	37.1	3.0	94.2	25.2	11.4
Combination food stores	34.0	24.8	24.3	22.1	16.6	-27.1	- 2.0	- 9.1	-24.9
Other chain stores	36.7	35.4	55.3	50.2	50.3	- 3.5	56.2	- 9.2	1.2
Other independent stores	16.5	30.2	43.1	36.9	40.3	83.0	42.7	-14.4	9.2
Capital items charged to operating expenses	19.8	22.2	26.3	24.9	25.3	12.1	18.5	- 5.3	1.6
Commercial services - Total	738.3	783.1	1 148.3	1 441.5	1 691.2	6.0	46.6	25.5	17.3
Laundries and cleaners	3.4	3.7	3.7	4.1	3.3	8.8	---	10.8	-19.5
Motion picture theatres	4.3	1.8	2.7	7.8	7.9	-58.1	50.0	188.9	1.3
Hotels	59.6	37.1	51.2	97.8	86.5	-37.8	38.0	91.0	-11.6
Other commercial services	671.5	740.5	1 090.7	1 331.8	1 593.5	10.3	47.3	22.1	19.7
Total, Trade and commercial services	1 024.4	1 108.8	1 557.0	1 833.1	2 097.8	8.2	40.4	17.7	14.4

* Preliminary. ** Estimates revised at mid-year.

SOURCES: Statistics Canada; Direction de l'analyse économique et des relations internationales, MIC.

Capital spending in the commercial services sector dropped sharply in laundries and cleaners and in hotels. On the other hand, it rose significantly in the other services, whose capital spending represented 94% of the total. Construction spending increased twice as much as spending on equipment.

The value of building repairs increased by 3.3% and the value of equipment repairs was up by 11.1%.

OUTLOOK FOR 1987

1987 could be the fifth consecutive year that the Québec economy continues to grow and the third year its growth outstrips the Canadian average.

Québec's manufacturing sector will perform strongly, although not quite as well as in 1986. A moderate increase in labour costs, continued improvement in productivity and the considerable rise in value of the Japanese yen and the principal European currencies will improve Québec manufacturers' competitiveness on national and international markets. Canadian and Québec demand will stimulate the growth of their production to a lesser extent. Exports of manufactured products to the United States will be maintained at a high level but their growth will be curbed by the moderate growth of the American economy. Manufacturers' investments will increase less rapidly than in 1986 to reach $4.2 million. The number of jobs in the manufacturing sector should increase by some 12 000.

Québec's cement, glass, and printing and publishing industries will perform well again in 1987 along with manufacturers of machinery, urban transportation equipment and aeronautics products. Aluminum producers will benefit from a considerable rise in prices and, with the addition of new capacities, notably those of ABI, will increase their shipments. The value of petroleum products output will grow, contrary to 1986. Pulp and paper shipments will be strong: the capacity utilization rate will approach 100%.

Québec sawmills could see their competitiveness in North American markets decline as a result of the new tax measures relating to exports. A drop in housing starts in North America could affect their output. Québec manufacturers of textiles, furniture, clothing, shoes and household appliances will feel the negative effects of slower growth in disposable income and the drop in housing starts. Shoe manufacturers will also have to adjust to the progressive removal of import quotas for women's and children's shoes. The textile and clothing industries will have to adapt to the results of the

renegotiation of bilateral import restriction agreements with countries with low production costs.

In 1987, Québec's trade sector will experience less rapid growth than in 1986. Consumer spending will gradually slow down. Restricted by sagging growth in personal disposable income, a very low savings rate, and a high level of indebtedness, consumers will no longer be able to maintain the same rate of growth in their spending. The drop in demand will have an effect on employment growth in trade establishments. The anticipated slowdown will affect durable consumer goods in particular. Household furniture and appliance sales will be affected by the decrease in housing starts. Motor vehicle sales will feel the effects of advance purchases encouraged by manufacturers in 1986.

The long-term outlook for the manufacturing and trade sectors in Québec could be affected by three major moves to be made by Canada in 1987: federal tax reform, which would replace the sales tax on manufacturers' products by a lower tax on all commercial transactions; talks concerning the gradual liberalization of trade with the United States; and renegotiation of GATT, the General Agreement on Tariffs and Trade. Two reforms in the U.S. will continue to attract attention: deregulation and tax reform. They could affect the international and sectoral distribution of the factors of production.

In 1987, growth in Québec will be slightly higher than that in Canada as a whole in the manufacturing sector and comparable in the trade sector.